

ECONOMIC DIGEST

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Britain's Role in a Hungry World

BY HONOR CROOME

THERE is a consideration which—given the right policies—makes Britain's position as a densely populated, industrialised economy hopeful.

This country is overwhelmingly a 'secondary producer'—true. The terms of trade, one must conclude, will turn against secondary products in general—true again. But it does not follow that they are bound to turn against secondary production in every form.

The primary, secondary and tertiary production distinguished by economists—the winning of food-stuffs and raw materials, the making of manufactures, the rendering of services—does not neatly match a similar triple classification of the consumer's final needs, the two always changing in step with each other.

An advancing economy does typically devote both a lesser proportion of its resources to food production and a lesser proportion of its income to food consumption; but a part at least of the former decline is illusory. The proportion of muddy boots is reduced far more than the proportion of workers effectively concerned with food production. Of the ten men who once went to mow a meadow only one may remain; but he is indispensably seconded, at a distance, by men in tractor works, men in refineries, men in laboratories, men in offices, none of whom would be statistically reckoned as primary

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*What is the proper function of Britain, faced with a declining working population at home and a food shortage in the world? Neither emigration nor attempts at self-sufficiency—still less complacency—fit the situation. In her answer the author makes a vital distinction between food procurement and food production.*  
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producers. The reduction is real; if it were not, changing techniques would not have improved, much less transformed, the standard of living; but it is not measured by the recorded shift from 'agriculture' to 'industry' and from country to town.

Historic Role

These considerations may be very elementary; but they are not often remembered in debates on Britain's role in an overcrowded world—debates to which they are highly relevant. For if industry and service may be forms of food production, then an industrialised and urbanised nation may be most effectively a food producer.

Historically Britain has played this part on an enormous scale. The British capital and enterprise devoted in the nineteenth century to the opening up of prairie and pampas by railway, steamship, elevator and refrigerating plant were as unmistakably directed towards food production as that devoted in the eighteenth

From Numbers and Food: Britain's Contribution, Westminster Bank Review, London, August 1953

century to high farming at home. The British engineer was a more effective food producer than the British farm labourer. Any export worker may, from this country's point of view, be considered as a food producer in the sense that he provides the means by which his countrymen may bid for a share of the world's food supplies; the nineteenth-century engineer did more—he actively contributed to the increase of those supplies themselves.

Here is a distinction—between food procurement and food production—too often blurred and forgotten by optimists and pessimists alike. At a time when among the many needs of mankind food is taking a higher priority, it is inevitable that the terms of trade should turn in favour of food producers and against the producers of relatively less urgently needed components of the standards of living, such as clothing, housing and entertainment. But it is not inevitable that they should turn against those producers who, whether by way of manufacture, or transport, or technical, commercial and educational services, are themselves contributing to sustain and increase food supplies.

A year's bad harvest may cheapen a tractor in terms of sheer calories, as a year's glut may make it dearer. But any long-run trend, any massive shift of human priorities, must affect both in the same direction. A high valuation set on food is a high valuation set on the means of producing food. The principle according to which Britain's present and future dilemma must be resolved is written large in her recorded past; she must, once again, turn to the long-range production, rather than the mere procurement, of the food supplies which she needs.

This does not mean a return to the actual methods, or types of equipment, which so successfully served the Britain of the nineteenth century. Then the chief opportunities for expansion lay in the opening up of new lands, and its chief instrument was accordingly transport. Now, such new lands as remain are enclaves and fringes whose chief common characteristic is not so much a lack of transport as the unsuitability of the familiar pioneering techniques.

One could take the prairies by storm, and the price of precipitancy (in the shape of erosion, flooding, and climatic change) only fell due generations later. When one tries to take the tropics by storm the result can be summed up, entirely without political animus, in the one word 'groundnuts'.

But it is not only the spectacular conquest of new areas which offers opportunity. It used to be said that Lancashire would enjoy permanent prosperity if only the Chinaman—four hundred millions of him—would add an inch to the length of his shirt.

Pull of Self-Interest

The raising of the cultivator's productivity all over the world may very well be just as much a matter of small things many times multiplied as of large and spectacular projects. The substitution of spades and wheelbarrows for hoes and baskets in tropical Africa, the equipping of co-operative canneries in Yugoslavia, and the provision of prefabricated farm buildings and power units for the Antipodes, may be as important as building irrigation dams or manufacturing heavy equipment for land reclamation. The range of exports relevant to food production, on which Britain's energies and resources can be concentrated, is

probably wider today than it has ever been.

If the *What* of policy—this concentration on food production at one remove—is clear, the *How* is not. Only in a manner of speaking can 'Britain' pursue such a policy; it is individual firms, individual designers, salesmen, scientists, craftsmen, all with a living to make, who do whatever jobs are done with or without encouragement by planners at the centre. How ineffective planning must be when its objectives are countered by the whole gravitational pull of self-interest has been, over the post-war era, most thoroughly demonstrated.

The practical problem is, here as in so many other instances, to enlist that gravitational pull, to ensure that the real, foreseeable priority of food production in the widest sense shall exert on resources and energies an influence as reliable and immediate (though not, one may hope, as brutally indiscriminating) as that which during the nineteenth century diverted the rapidly-growing population of Britain from agriculture and the crafts to industry.

Some discomfort is inevitable. For one thing, no voluntary re-shaping of economic and occupational patterns is likely under the euphory of inflationary full employment, renewed whenever it shows signs of slackening; nor yet on the understanding that everyone has a right to be insulated, up to the furthest limits compatible with immediate national solvency, from any painful impact of outside forces on his standard of living or his profits.

In such circumstances the only alternative to inertia is totalitarian direction. Prices which tell the truth about plenty and scarcity, as no subsidised price can do, and a demand

for different sorts of labour which tells the truth about the relative urgency of the things which labour produces, as under inflation it cannot do—these are necessary conditions for a major, long-run adaptation to world realities.

They are not, however, sufficient conditions. Producers and consumers can be, as it were, resensitised to economic stimuli. But economic facts do not always so translate themselves into economic stimuli that reaction shall be adequate and timely.

To abandon metaphor: the most exemplary readiness on the part of British business men and workers to switch over to the production of wheelbarrows, insecticides, prefabs or tractors will be irrelevant if foreign cultivators have neither means nor inclination to acquire these things. The essential other half of policy is a matter of education and of credits for Britain's overseas customers, whether the upshot of their consequently increased production is a larger export surplus for the world market on which Britain buys or a lessened claim on that market by reason of their improved capacity to feed themselves.

The need for credits is a commonplace; so is the difficulty with which it confronts us. Either they must come from the margin of home resources set free by saving, which involves a patience with regard to standards of living far from characteristic of Britain today, or they must come from outside, which to be realistic, means America.

American credits, however welcome, are bound to imply an American orientation, at the least, in their use. From the point of view of British participation both in the job of increasing food production and in the food actually produced, they are

a poor second best. The moral is obvious, its translation into policy extremely baffling.

Education, however, is no less important than credit. In one area it may be a matter of imaginative, pertinacious and honourable salesmanship; in another, of the spread of tested and reliable knowledge; in another, of humbler and more tentative co-operation between Western science and primitive experience.

Dr Dudley Stamp, in his *Our Undeveloped World*, cites a striking example: the West African farmer allows a smother of weeds all over his holding, anathema to good European practice, but an essential protection against the leaching and devitalising effects on his soil of tropical sun and rain; can European science devise what the African is unlikely to discover unaided—a profitable cover-crop which shall both safeguard the soil and feed its owner?

Leading on as it does to the whole vast question of the economic development of backward areas, with its sociological and political complications, this is not a topic for exhaustive discussion here. But Britain's role in a hungry world may perhaps, in the light of what has been said, appear a little more clearly.

It is not that of a depopulated ghost-town scratching a living from allotments under the shadow of its derelict mills; nor that of an increasingly desperate vendor of traditional wares at lower and lower prices to a world that wants them less and less; nor, assuredly, that of an insulated Herrenvolk contriving, by some unspecified abracadabra, to maintain the old standards in the old ways while the tide of hunger mounts unregarded elsewhere. Nor—with all due respect for idealism—is it that of the wealthy benefactor lavishly pouring out assistance without regard to returns. It is that of an alert, active, specialised partner in the cultivator's enterprise from Kent to Kano and from Saskatchewan to Sumatra, a pioneer in the evolution of technique, a translator of scientific discovery by way of steel and chemicals into bread, butter and beef—and also rice and yams.

Neither politically nor economically is it unworthy of Britain's past; but it is not a role to be played by the supine, the greedy, the insular, or the hidebound. In the last resort it is perhaps the moral element which will decide whether Britain shall thrive or starve in a hunger-threatened world.

IMPORTANCE OF SOUTH AFRICA'S SECONDARY INDUSTRY

BY DR H. J. VAN ECK
(Chairman of Industrial Development Corporation)

The relative importance of Secondary Industry in the Union is indicated by the following figures. With a national income, in 1952, of £1,244.8 million, manufacturing industry provided 23.6 per cent, gold mining 9.2 per cent, other mining 4 per cent, agriculture 14.8 per cent, trade and commerce 13.6 per cent, transportation 8.7 per cent.

In 1950 manufacturing industry employed 236,449 Europeans, 369,055 Natives and 107,647 Coloured and Asiatic employees, earning in all about £180.1 million in salaries and wages. From employment indexes the figures may now be about 9 per cent higher.

The gross value of output in 1951 was estimated to be of the order of £1,000 million from over 14,000 establishments, but the final figure may be somewhat lower. In 1949 the gross value of output was £675 million with a production index of 338 compared with 100 for 1939. In 1950 the production was £775 million or an index of 387 and in 1951 on the estimated figure of £1,000 million the index may be 500 compared with 1939.

From Finance and Trade Review, Volkskas Ltd, Pretoria, July 1953

Control of Inflation in Aftermath of War

BY

PROFESSOR F. W. PAISH, M.C.
(University of London)

WHATEVER the precise method of its implementation, and however successful it is in restraining inflation during the war, a policy of limiting expenditure by means of direct controls leaves a difficult situation when the war comes to an end.

Since both consumers and businesses have been prevented from spending as large a part of their monetary receipts as they would have wished, they have been obliged to accumulate either idle balances or Government securities in excess of their desires. At the same time, much of the expenditure prevented in wartime, especially on the replacement or repair of assets, is merely postponed.

The difficulty of the situation is still further increased if, as in Britain, many of the Government securities issued and obligations incurred during the war are repayable on demand or short notice, so that their owners have the power at any time to force the Government to create additional money in order to meet its obligations to repay.

Thus, even though the Government itself rapidly ceases to rely on the creation of new money for the finance of a deficit there are present all the potentialities of a renewed and accelerated inflation through the activation of excess idle balances or the enforced creation of new money to make repayments of Government debt.

In face of this potential inflation, the Government has the choice of a number of possible policies, alone or

in combination. One of these is to continue the methods of direct control of demand that have been in force during the war.

Continuing Direct Control

Unfortunately, such controls seem to operate much less satisfactorily in peacetime than in time of war. As soon as the stimulus of the common danger and the single objective is removed, income earners and businesses become progressively less willing to produce and trade in order to obtain money which they cannot spend on what they want to buy; thus production is checked, and more of what is produced tends either to be consumed by its producers or bartered directly for other goods. At the last, if rigid controls are enforced indefinitely, the use of legal tender money may be abandoned entirely over large sectors of the economy in favour of barter or the use of some kind of commodity money; and the final stage of a repressed inflation may thus be not dissimilar to that of an open inflation.

Even if the policy of control is not carried to the point of this ultimate breakdown, the effects of partial controls are in their own way almost equally unsatisfactory. If, for instance, as is often the case, controls are more effectively enforced over demand for essentials than for non-essentials, the resources released by the fall in defence expenditure tend to be absorbed in supplying less essential, rather than more essential

From Open and Repressed Monetary Inflation, Presidential Address in Economics Section, British Association Meeting, Liverpool, September 4, 1953

needs, whether at home or for exports.

Further, with the loss of wartime incentives and the release of much enterprise and initiative from the armed forces, the control laws become increasingly difficult to enforce and breaches of them increasingly frequent.

Unless the Government is prepared to use more resources for enforcement than it can well afford, and more drastic methods of enforcement than public opinion is likely to tolerate, the continuation of wartime physical controls over expenditure therefore cannot be relied upon by themselves to do more than create a breathing-space during which methods can be devised for eliminating rather than merely continuing to frustrate the potential excesses of demand.

Writing-Down Money

One drastic method for eliminating excess demand, which has been widely used on the Continent, is the compulsory writing-down of the values of money and moneyclaims. This forcible decrease in money and money-claims can be applied, if so desired, in different proportions to different types of holdings or even of holders.

If the decreases are sufficiently drastic, and if the Government itself can subsequently so order its finances as to avoid the necessity of re-creating an excessive quantity of money, such a policy can solve at a blow the problem of potential excess demand, though probably only at the cost of much hardship, injustice and perhaps unrest.

If the Government is not prepared to contemplate so drastic a solution of the problem of excessive liquidity

in the private sector, it must rely on other methods.

One way in which it could destroy some of the money and money assets created during the war would be to develop a very large budget surplus and use it for paying off debt, including debt to the banks. A similar effect could be achieved by means of a very large special tax on capital.

Budgeting For Surplus

It is true that any very large budget surplus, whether or not achieved by means of a formal capital levy, would in fact be paid largely out of idle balances and the assets circulation. If, however, the greater part of the money withdrawn from the assets circulation were simultaneously returned to it by Government repayments or purchases of Government securities held by the public, and only a small part, together with the payments out of idle balances, were used to destroy money by paying off debt to the banks, the reduction in the public's surplus of money and money assets could be achieved without directly affecting the rate of interest; for any reduction in the quantity of money in the assets circulation would be offset by the reduction in the quantity of assets to buy with it. Indeed, if the whole of the money withdrawn from the assets circulation were returned to it, rates of interest would tend to fall.

In such a situation, it would probably be better to obtain the surplus with which to pay off debt by a once-for-all capital levy than by very heavy taxes imposed on income, as being less likely to deter effort or divert it to forms less liable to tax. The fact that the payments were made out of idle balances or the assets circulation would not matter, for the purpose of the operation

would be to remove the excess of liquidity and so to prevent an unwanted further rise in money incomes rather than to reduce money incomes below the existing level.

The position is thus very different from that in which a Government uses taxes paid out of capital for making income-creating payments; in this case, the effects of the Government's financial operations are on balance inflationary, though less inflationary than if it made income-creating payments out of newly created money borrowed from the banks.

It is thus not high taxation as such which tends to be inflationary but the use of such taxation for making income-creating payments; and it is on Government expenditure rather than on taxation that the emphasis should be laid if it is feared that the payment of taxes out of capital is having inflationary effects.

Three Further Alternatives

Even if the Government cannot see its way to an actual reduction in the public's holdings of money and money assets, there are still two ways in which it can limit their inflationary effects while gradually removing direct controls.

The first of these is to find alternative ways of limiting income-forming expenditure without raising interest rates. If, for instance, it were possible to persuade persons to spend considerably less than their incomes and so to transfer large amounts of money from the income circulation to the assets circulation or to idle balances, the effect of business transfers of money into the income circulation in the process of replacing physical assets depleted during the war would be counteracted. Unfortunately, the shortage of personal physical assets,

the excess of money and money assets already owned by persons, and the redistribution of incomes due to the heavy taxation necessitated by continued heavy Government expenditure combined to reduce personal saving in Britain after the war to a very low level.

Wage Restraint

A more successful method of keeping down personal consumption expenditure has been the restraining of wage increases in the face of rising prices.

By this means, wages have been kept generally below the equilibrium level, business profits (before tax) at above the equilibrium level, and incidentally unemployment at a level lower than has probably been achieved ever before over so long a period.

A very large part of these business savings has been drained off by high business taxes, and much of the rest retained for the replenishment of business assets, more for the reason of business needs than because of the Government's discouragement of increases in dividends. It would not be far wrong to say that, at least until extremely recently, all Governments in Britain since the war have used businesses as a kind of involuntary tax-collecting agent, rather as King John is said to have used the money-lenders of his time.

A third possibility is for the Government itself to impose personal taxes of a type likely to be paid out of income, in excess of its own income-creating payments.

While in the years from 1948 to 1951 the Government seems to have had total income-destroying receipts (including the proceeds of foreign aid) substantially in excess of its own income-creating payments, a very

large part of these receipts were derived from the exceptional profits obtained by businesses. Indeed, the attempt to secure a much larger tax yield at the direct expense of personal incomes would probably have encountered serious economic and political difficulties.

Throughout the period since 1947, the Government has supplemented its efforts to divert money out of the income circulation with efforts to restrict the total quantity of money, or at any rate to keep its rate of increase below that of the real national income.

With a constant quantity of money, the amount of money in the income circulation can be increased only by depleting idle balances and the assets circulation. Incomes can therefore continue to rise for a time, but the rise will sooner or later be checked when the rise in the income circulation and the fall in the assets circulation and in idle balances have restored their relationship to equilibrium.

The increasing depletion of the assets circulation will bring with it a rise in interest rates, the extent of which will depend on the success of the Government's efforts, referred to above, to return money from the income to the assets circulation.

The more successful the Government is in restraining the income-creating expenditure of persons, the greater the proportion of the national

resources which can be made available for the increase of physical assets held by businesses or the Government, and the more rapid will probably be the rise in the real national income. But there is no doubt that, if the Government is willing to face the effects on assets accumulation of a sufficiently high rate of interest, an inflation can always be brought to an end simply by action to ensure that the quantity of money does not rise further.

What Do We Want?

There is one question which still remains to be answered: *Do we really want the gradual inflation of recent years to be brought to an end?*

Hitherto it has been possible to maintain an abnormally high level of employment by ensuring that the rise in money wages lags sufficiently far behind the rise in selling prices to ensure that the demand for labour, in most occupations and in most places, is in excess of the supply. If the inflation ends and prices cease to rise, wages will tend to catch up, gross profits will return to normal, the excess demand for labour will disappear and unemployment will rise.

On the other hand, if even creeping inflation continues here after it has ceased in most of the rest of the world, we may expect more balance of payments crises and probably further depreciations of the currency.

'ECONOMIC IMPLICATIONS OF DEMOCRATIC SOCIALISM'

Mrs Rita Hinden, PH.D., secretary of Socialist Union and editor of *Socialist Commentary*, will open a discussion on this subject at a meeting of the Economic Research Council on Wednesday, October 7. The meeting is in the Angus Room, 55 Park Lane, London, W.1, at 8 o'clock. Mr Ian Mactaggart will preside.

Non-members will be welcome if they will give notice of their intention to be present to the Secretary, Economic Research Council, 18 South Street, London, W.1 (GROsvenor 4581).

How U.S. Farm-Price Support Works

The programme—and its effects on other countries—described

BY PROFESSOR C. F. CARTER (*Belfast University*)

THE world's importers of agricultural products have often criticised the United States for supporting farm prices at too high a level. This year the criticisms have gained strength from the appearance in the U.S. of burdensome surpluses of commodities (such as butter) which would be welcome elsewhere. This note gives a general description of the price support policy and of its effects on other countries.

The price support programmes are mandatory for grains, cotton and tobacco, but are in fact applied to most agricultural products other than meat.

I will take wheat as an example. The starting point is the parity price in August, 1952, which is obtained by applying to the average price for the seasons 1909-14 (88.4 cents a bushel) an index of prices, interest and taxes paid by farmers (278 per cent of 1910-14). The parity price of \$2.46 so obtained would of course give the wheat farmer much more than a pre-First-World-War standard of living, for the productivity of farming has increased. In September, 1952, the Secretary of Agriculture announced a national average support price for the 1953 crop of 90 per cent of the August parity, or \$2.21 a bushel; there is provision for this to be raised if the parity price at July 1, 1953, was higher, but not for a reduction. The national average price can be translated, by a table of margins based on past market experience,

into a price for a particular grade at a particular place: e.g., \$2.49 for No. 2 Hard Winter at Kansas City. This is the support price effective for the marketing year beginning July 1, 1953.

Farmers' Opinion

The farmer has the following choice of actions:—(a) He can sell his wheat on the open market; (b) He can contract in advance, on certain conditions, to sell it to the Commodity Credit Corporation at the support price (thus forgoing the possibility of extra profit if the market price rises higher; (c) He can put it 'in loan' with the C.C.C., which acts (in effect) as a national pawnbroker, offering the support price for wheat pledged with it. If the market price rises above the support price, he can redeem his pledge and take the extra profit; while if the market price fails to rise, the farmer keeps the loan and the C.C.C. does what it can with the wheat.

The third option applies only to wheat of approved quality stored, on or off the farm, in approved storage space. It is therefore quite normal for the market price to fall, after the harvest, below the support price—it is more convenient to sell wheat immediately and get rid of the responsibility for storage. Indeed, over the marketing year 1952-53 the price to growers has averaged 10c. below the loan rate (with a maximum differential of 54c.). Allowing for quality factors and transport charges,

From London and Cambridge Economic Service Bulletin, The Times Review of Industry, London, September 1953

an average price of \$2.11 to growers (i.e., 10c. below the support price) in 1953-54 might be some 30c. to 40c. above the new International Wheat Agreement maximum.

Safeguarding Regulations

Without some form of regulation, this price support system could rapidly lead to unmanageable surpluses. Two forms of regulation are provided. First, the Secretary of Agriculture must each year (except in times of national emergency) proclaim a national acreage allotment for wheat. This must be large enough to give, with the carry-over and imports, a prospective supply equal to 130 per cent of a normal year's consumption and exports. The national allotment is apportioned to States, then to counties, and then to individual farms. But acreage allotment by itself is accompanied by no definite penalty for non-compliance, except that the non-co-operator may affect his eligibility for price support.

The second form of regulation comes into operation when (as this year) expected supply (including carry-over) exceeds 120 per cent of 'normal', as calculated above. The Secretary then proclaims that marketing quotas are required, and, provided that two-thirds of the farmers in a secret ballot approve, they come into effect. Farmers exceeding their acreage allotment then have to pay a penalty of rather over \$1 a bushel on wheat produced on the excess acres. If a third of producers were to vote against marketing quotas, price support would fall to 50 per cent of the parity price (and would in effect be inoperative); so the pressure to accept quotas is strong, and the wheat growers have in fact voted to accept them.

There is no reason to think that

these regulators would be inadequate: the experience of cotton in the 1950 season suggests that their braking effect might be unduly severe, especially if yields prove to be low when restrictions have been applied. Regulation of individual commodities will tend to direct farmers' attention to other products, so that surpluses eliminated in one place will appear in another; but the U.S. has not yet encountered the embarrassment of universal superabundance.

The present policy can be regarded in the main as a flexible means of subsidising farmers at the expense of the American consumer and taxpayer, and Britain is in no position to throw stones at those who subsidise farmers. Where, however, artificially high prices are secured by destroying 'surplus' stocks or finding artificial outlets for them (as has happened, for example, with potatoes and dried eggs), then there are some grounds for legitimate complaint by countries which import those commodities or others which might have been produced instead.

International Implications

What, then, are the international implications of the policy? Very little can be decided from a direct comparison of U.S. and foreign prices; they sometimes relate to different commodities (e.g., American and Egyptian cotton), sometimes to soft-currency sources instead of hard, sometimes to marginal and occasional supplies. The effect of supporting prices above the world market level should be a decline in U.S. sales to that market; but this effect is not distinguishable from the general shift of purchases away from dollar sources of supply. Furthermore, there are many channels

through which the U.S. surpluses can flow overseas without the direct payment of the full internal price—for instance, as relief supplies, or through special sales at reduced prices. It is very difficult to obtain a reliable picture of the actual disposal prices.

Where the U.S. has in the past been an importer (e.g., of certain dairy products), it must be expected that the extra production generated by price support will bring with it import quotas or prohibitions. Where the U.S. is a large exporter (e.g., of wheat, corn, cotton, or tobacco), her price support programme will certainly tend to shift world prices up-

wards, as importers compete to gain cheaper sources of supply; but this may not go very far before the U.S. is willing to pay the price of a subsidy in order to keep her share of the market—as she will presumably have to do under the renewed International Wheat Agreement. Where the U.S. is a minor or occasional exporter, she will have to sell at a loss or be priced out of the market, and she will have little effect on the world price. Such rules, however, prove in detailed application to need many qualifications; it is difficult to get beyond the general presumption that if farmers have feather-beds, the rest of us must lie the harder.

EAST-WEST TRADE FRUSTRATIONS

BY JOAN ROBINSON (Cambridge)

THE exchange of British woollens for Soviet matches is not the only example of Russian anxiety to increase her purchases—of consumer as well as industrial goods—in this country. Several British firms have been negotiating in both London and Moscow for the sale of cables to Russia and at least two orders, each to a value of between £300,000 and £400,000, have been concluded and sanctioned by the Board of Trade. These orders could have run into several millions if the necessary export licences had been forthcoming. The Russians have also tried to place with firms in Aberdeen and Lowestoft orders for £8m. worth of trawlers and fish factory ships; but, according to the President of the Board of Trade, the Admiralty is still considering whether these vessels are 'strategic' goods.

Another attempt to place orders for ships—namely, five £700,000 grain and ore carrying cargo boats—has been frustrated by the refusal to grant export licences, although both the Bonn Government and the Danes are said to be prepared to sanction the export of such vessels, and the French are already supplying cargo ships under their new trade agreement with Moscow. In addition, the Russians are known to be willing and anxious to order from Britain diesel generators and mechanical and hydraulic presses of sizes which were freely exported to Russia two or three years ago. But the authorities are now evidently prepared to license only electrical machines rated up to 375 kVA and presses up to 1,000 tons. A deal involving some £3m. worth of Russian plywood in exchange for British rayon and woollen textiles is being held up by the Timber Control, which is imposing conditions on purchases by British timber merchants with the object of liquidating the 'national stock' of 30,000 cubic feet—incidentally not the kind of plywood at present in greatest demand.

These are only a few examples of products which are the subject of current trade negotiations between the Soviet authorities and British traders. If the potential Anglo-Soviet trade of £60m. annually has yet to be realised, the main reason no longer appears to be Russia's reluctance to place orders in Britain.

From Letter to Editor, The Times, September 1, 1953

U.K. Agriculture: Striking Progress

BY J. K. KNOWLES
(General Secretary,
National Farmers' Union)

THE last twelve years have seen a silent revolution on Britain's farms.

In 1939 a man and a horse ploughing an acre a day was still a valid standard on thousands of holdings. Today the equivalent is a man and a tractor capable of ploughing half an acre an hour. Mechanisation has gained momentum in the last six years, and the direction it has taken is also significant.

Since 1946 in England and Wales we have increased our tractor power by 80 per cent, more than tripled the number of tractor trailers, doubled our milking machines, multiplied our force of combine-harvesters five times, and equipment for silage-making nine times. Though scarcely more than a third of our farms yet enjoy the benefits of electricity there has been, since 1946, a 122 per cent increase in the number of electric motors; and a 171 per cent increase in spraying machines for field crops shows how rapidly advantage is being taken of chemical methods of weed and pest control.

Over the industry as a whole, the working capital invested has been multiplied between three and four times. Such estimates are inevitably approximate at best, but the pre-war figure was officially set at £300-£350 million. It was set at £1,000 million in 1950, and the corresponding figure today must be substantially higher.

This huge increase in farmers' requirements in working capital has been the product not only of expansion but also of the general inflation.

It is reflected in the bank advances to the industry which virtually doubled themselves between 1948 and 1952, when they were over three times the pre-war figure. It is reflected also in the industry's annual net income, in which the inflationary element (representing the excess of replacement cost over original cost, e.g. of slaughter stock, crops, etc. in any given year) increased from 6d. in the £ in 1937-38 to a peak of 3s. in the £ in 1950-1.

Higher Yields Per Acre

Partly by building up fertility, and partly due to higher yielding varieties, average yields per acre have risen considerably. In farming, where seasonal variations make comparisons based on individual years misleading, it is the ten year average that counts. Over the ten years during and since the war, i.e. up to 1949, we raised the output of wheat per acre as much as had been achieved in the preceding forty years. And it is safe to say that since then yields have been rising, and will continue to rise, more steeply still, as the successes of the plant-breeder are tried out, adapted to regional conditions and, where suitable, adopted on more and more farms.

National yields in Britain have always been among the highest in the world. The result is that we produced last year 40 per cent more wheat than pre-war and more than double the tonnage of coarse grains on acreages which were only 9 per cent and 75 per cent higher respectively. Similarly, we produced 61 per cent more

potatoes and 55 per cent more sugar beet off acreages increased by 37 per cent and 22 per cent. A great and growing increase in high yielding temporary grass and fodder crops, grass-drying and silage, has helped to increase home-grown feed supplies, leaving more coarse grains and the like for those non-ruminants, the pig and the hen.

Livestock Gains

There have been great gains on the livestock side as well. We produced, in the United Kingdom, nearly 500 million extra gallons of milk—31 per cent more milk than pre-war, from a dairy herd only some 11 per cent larger. To get our present output at pre-war yields would mean another half a million cows. The national average yield per cow in England and Wales has been raised from 560 to 650 gallons, while the average from the rapidly growing number of 'recorded' herds stands at the high figure of 760. For a broad comparison, the average yield per milking cow is about 660 gallons in the dairy-specialist State of Wisconsin.

At the same time, our output of meat is 6 per cent up on pre-war. This is due to the effective, and we hope permanent, expansion of our pig population which has topped the five million mark for the United Kingdom and is now the highest on record.

The significant thing about this increased livestock output is that it has been attained, and is being steadily increased, predominantly from home-produced feed. As compared with pre-war, the British livestock farmer is getting only about half the supply of imported feed, and what he gets is often of poorer quality.

The net result is that Britain is

today being fed from her own soil as she has not been for half a century and more. Today we produce all our fresh milk, and virtually all our oats and potatoes, over four-fifths of our vegetables and shell eggs, some two-thirds of our carcase meat and offal, barley and condensed milk, just under half our fruit, dried milk, bacon and ham and nearly a quarter of our sugar and our wheat.

The gross value of this output for 1952-53 was £1,120 million.

Importance of Home Production

The importance of home production to the nation can be gauged from the fact that it takes nearly a half of what all our export industries are currently earning to pay for the food and drink we now have to import. If home output were back at the pre-war level, it would, according to the Government Survey of our economic situation, have meant that 'last year we should either have had to have gone seriously short of food, or we should have had to spend at least an extra £400 million on food imports from abroad—completely wiping out our all-important surplus and putting us back on the wrong side again'.

This saving to the nation, in terms of the balance-of-payments position from our present increased output, is broadly equivalent to the effort of our export industry in ships, cars, commercial vehicles and tractors, cotton piece goods and bicycles put together. Or, to put it another way, the currency we save by producing the extra amount of these foods at home instead of buying it abroad, is more than enough to pay the bill for such essential imports as rubber (£103 million), cotton (£128 million), and timber (£164 million).

Price Insurance for Farmers

BY COLIN CLARK

WHAT the average farmer in Britain wants is some form of guarantee or insurance against an excessive fall in prices, and the right to sell his produce freely otherwise.

It would be quite feasible to give the farmer exactly what he wants, namely an insurance against falling prices. It would not be quite as simple a matter as taking out a life or fire insurance, but it could be worked on the same principle. The farmer would sell his produce on a perfectly free market, would pay certain premiums every year, and would receive a reimbursement if, at any future date, prices fell below an agreed minimum. It would be as simple as that.

Simple though it be, however, one must have very profound doubts about the suitability of a Government Department to organise it. If the fixing of the rates of premium and benefit is to be the subject of political negotiations and the activities of pressure groups, they are almost certain to be actuarially wrong, and the insurance fund would be hopelessly unbalanced.

How the Plan Would Work

The obvious method for meeting such requirements is a farmers' co-operative insurance.

Let us now make the proposal a little more concrete. A farmers' co-operative insurance would be formed, but there would be no compulsory membership. Any farmer who wished to stay out would be perfectly free to do so, but it would have to be clear

to him and to all concerned that a farmer who had voluntarily chosen to stay outside would have no claim for assistance from any quarter if a severe fall in prices did occur.

Nor is it intended that the co-operative should work out one rigidly defined form of insurance policy and make its members a take-it-or-leave-it offer. There should be a certain number of alternatives, but it would not, of course, be possible to have an insurance policy tailor-made to the individual needs of each farmer.

The co-operative should not find excessive difficulty in defining what were to be regarded as 'dangerously' low prices for each commodity, below which the benefit would become payable. It could be provided that this 'dangerously' low or insurable limit should be raised year by year, if wages and other costs rose. To make provision of this sort would not be beyond the powers of the actuarial estimates.

Insured's Choice

These matters would have to be settled by the co-operative as a whole without provision for the individual ideas of single farmers. But there are three matters in which each farmer would have his own choice in taking out his insurance policy.

The first would be that he would only insure in respect of the commodities in which he was interested.

The second, a matter of great importance to each individual farmer, is the decision as to the number of years for which he wished to insure.

He might, for example, be offered the choice of policies for one, two, three, five, ten or even twenty years. A farmer who was thinking of retiring shortly would probably not go to the expense of taking out a ten-year or twenty-year policy. A younger man would have the right to choose between taking out a long policy, or taking out a series of short ones from time to time, on the understanding (if the phrase may be permitted) that the odds might shorten or lengthen in the course of the next few years.

The farmer would therefore have the choice of taking out policies year by year, possibly at varying rates of premium; or, if he preferred, of taking out a long policy for which the premium rates were fixed in advance. Under such policies the minimum level of prices, at which benefit became payable, would be raised during the course of the policy, if wages and other costs rose, as indicated above.

The third matter in which the farmer would have to exercise his choice is in saying precisely how much output he wished to insure. If a farmer is insuring against a low price

of, shall we say, potatoes, no prudent insurance would offer to protect him to the extent of whatever quantity he cared to produce in the year when prices were low. What he would have to do would be to set down some perfectly specific figure, say 200 tons per annum, as the amount which he wished insured. Then, if a bad year came, he would know that he would receive £200 for every £1 by which the price per ton fell below the agreed insurable figure on some recognised market.

Sporting Margin

It should also be made clear that the holder of the policy is not under the slightest obligation to grow the crop concerned. He gets the insurance benefit if the price is low, whether he has grown the crop or not. It is, in fact, much better for himself and for all concerned, if he has had the forethought (or luck) not to be growing the crop in question during the bad year. The whole intention of the insurance benefit is to compensate him for any inconvenience caused by having to go out of producing this crop.

ROAD TRANSPORT IN U.S.A.

According to the Brookings Institution, highway transportation as we know it in the United States is 'the greatest single combination of economic activities in man's history'. It pays one-sixth of the nation's taxes, and provides over ten million jobs. Six million workers, for instance, are truck drivers. More people are employed in all branches of highway transportation than on all the nation's farms. Individual business establishments directly connected with highway transportation number over 700,000. The people of the United States pay over £50 billions a year for highway transportation services. Motor trucks account for 15 per cent of freight ton-miles and 77 per cent of total freight tonnage hauled yearly. Highway transportation also accounts for 95 per cent of all passenger miles of travel in the United States. In some states the automobile, together with the highway system, has made the tourist industry the single most important producer of wealth.

James Cope, Vice-President, Chrysler Corporation, Washington, June 30, 1953

Canada Looks Forward:

Population of Twenty-Five Million in 1980

WITH a population of 25 million and a national production of around \$65,000 million, the Canadian *per capita* production and standard of living would be somewhat above that now prevailing in the United States.

It does not necessarily follow, of course, that the pattern of either industrial or personal consumption would be closely similar to that now obtaining in the United States. There are a number of differences between the business structures and consumption habits of the two countries other than those that result from their being at different stages of economic development. In addition, industrial innovations such as atomic power, electronic devices, new metals, plastics and chemicals and the wider use of new types of consumer goods such as television sets, air-conditioning units, clothes driers, deep freezers, small airplanes and helicopters may well make great changes in the pattern of consumption.

Nevertheless, it seems reasonable to suppose that rates of use of some of the basic factors in industrialisation and living standards would increase much as they have in the United States. Steel consumption, for instance, might rise from the present *per capita* rate of 793 ingot lbs. annually closer to the 1,343 lbs. now consumed in the United States and oil consumption from the present 11½ barrels *per capita* consumed annually up to and perhaps even above the U.S. rate of 17½ barrels.

A rise of two-thirds in the number of consumers in Canada, coupled

Canada's population was estimated at 14.7 millions in March 1953. But there had been a 3 per cent increase in the year 1951/2, and a 19 per cent increase for the decade 1941-51, reflecting high marriage and birth rates, and a substantial inflow of immigrants with a considerable diminution in the rate of outflow of emigrants (particularly into U.S.A.). The Bank of Nova Scotia Review therefore hopes that some time around 1980 Canada might, under favourable conditions, achieve a population of 25 million and a national production of the order of \$65,000 million at present prices. Suppose this dream should come true, is this a picture of what might follow?

with substantially higher living standards for the whole population, would have significant implications for every sector of the economy.

Food Consumption

For instance, it would not only make Canadian farmers independent of export markets for many of the products that have presented marketing problems in recent years but would call upon them for substantially increased production of many commodities, particularly the so-called 'protective' foods—meats, dairy products, vegetables and fruits.

The Canadian population of 1952 consumed roughly 650 million lbs. of beef, 900 million lbs. of pork, 15½ billion lbs. of milk and 320 million dozen eggs. To provide for 10 million more people even at the level at which Canadians consumed these

products in 1952 would require the equivalent of an additional 900,000 head of cattle, twice as many as have ever been exported to the United States in a single year; it would require another 600 million lbs. of pork, as much as the huge annual wartime exports to Britain, which were achieved only by the rigid limitation of domestic consumption; it would require that milk and egg production be nearly half as large again as during the years of peak wartime and post-war cheese and egg exports to Britain. And with the improvement in Canadian diets that is bound to take place, requirements would be much larger than this.

Such a marked increase in requirements for animal products would make heavy demands on grain supplies, more than absorbing the present big feed-grain exports and possibly necessitating as well some further use of wheat for feed or the diversion, as during the war, of some wheat acreage to coarse grains. However, there is no doubt that Canada would remain a major exporter of wheat since milling requirements for the domestic market are comparatively small and since cereals tend to play relatively a less important role as diets improve.

More Intensive Cultivation

Part of the needed increase in farm production could be provided by the opening up of new agricultural areas along the northern fringes of settlement to serve the adjacent communities as the development of natural resources draws population northward. The river valleys of central British Columbia, the Peace River district, the Mackenzie basin, the wooded areas of the Prairie Provinces and the clay belt of northern Ontario and Quebec still

offer possibilities for new agricultural development.

But the major part of the increase in production would have to come from more intensive use of areas already under cultivation. Fortunately, the possibilities of increasing output per acre through improved farming methods are very large. It is worth pointing out, too, that the bigger production and more intensive cultivation required would create a much larger market for fertilizer, agricultural machinery and equipment, and building materials, and would thus stimulate the industries producing these goods.

Housing

As for housing, a rough calculation shows that an annual rate of house-building as high as the average of the past five years (85,000 units) would not keep pace with the needs of a population growing at the suggested rate. Even if the long-term decline in the size of households should proceed very little farther by 1980, and remain at an average of about 4 persons, 10 million extra people would require 2½ million extra dwelling units, or an average rate of construction of over 90,000 units a year. And this makes no allowance for the houses that must pass out of use over the period, nor for an increase in housing standards.

The 1951 census revealed that 19 per cent of Canadian homes were over-crowded (that is, had more than one person per room) and that 26 per cent were without running water and 36 per cent without inside toilets. Moreover, many of the houses built since the war have been very small and, if a trend away from the two-child family is actually in progress, they will be grossly inadequate.

Schools

Along with housing must go a host of other facilities. The pattern of suburban growth that has been so marked a feature of recent years is likely to continue, involving the construction of new streets and sewers, extended bus, telephone, gas and electric systems, and of course schools, churches, stores and recreational facilities.

The school problem now facing municipal authorities vividly illustrates the implications of rapid population growth. Some 50 per cent more babies were born in Canada in the six years 1947-52 than in the corresponding period a decade earlier. In spite of a total new capital investment in schools exceeding \$450 millions in the past five years, authorities are deeply concerned about the inadequacy of present buildings and equipment (to say nothing about the shortage of staff) to take care of the flood of youngsters who have just begun to enter the school system and will be moving up through primary and secondary schools for the next ten or twelve years.

If the population goes on growing rapidly, the pressure will continue, and the tendency for a growing proportion of young people to take advantage of secondary and higher education will accentuate the problem.

Hospitals

Similarly, there will continue to be a rising need for hospital facilities. A rapid growth through both natural increase and immigration would tend to keep the population young so that twenty-five or thirty years hence the *proportion* of the population 65 and over might be no greater than it is today, but the *actual numbers* in

the middle and older age groups will inevitably be larger, with consequent need for expanded medical care.

One of the reasons for the post-war over-crowding of hospitals is that, because of higher real incomes and hospital-care plans, more people can now afford the services they need. Providing a rising standard of social facilities for a population expanding at the suggested rate implies a capital investment programme of formidable proportions. Such a programme could exercise an important sustaining influence on the rate of investment if resource development should decline, temporarily at least, from the high levels of the past few years.

Domestic Appliances

More people in more houses is one of the strongest factors in the long-term investment outlook. In addition to all the types of facilities mentioned, it opens up the prospect of a much larger market for household appliances and equipment, especially if Canadians attain or surpass the celebrated U.S. standard of living in this sphere.

Also implied is a sharp growth in the demand for services as population and living standards rise. More laundries, beauty parlours and restaurants will likely be called for and, with the gradual increase in leisure, more ball parks and libraries, more theatres and resort hotels, and increased facilities for pleasure travel.

The possibilities in the market for passenger cars are impressive. Passenger automobile registrations in Canada in 1951 numbered 2.1 million, or 15 for every 100 persons in the population, and last year over 290,000 new passenger automobiles were sold in Canada. A population of 25 million with the present U.S.

rate of car use, which is not far from double the current Canadian rate, would have seven million cars on the road.

The growth in automobile manufacturing facilities which this suggests, and in the demand for petrol, tyres and accessories of all kinds is large indeed. Nor should the immense public investment in roads required by a car population of anything like these dimensions be forgotten. In spite of big post-war highway programmes, present roads are sadly inadequate, so that a considerable backlog of need exists to begin with. In addition, highway construction is becoming constantly more expensive with the demand for super-highways, 'through-ways' and 'express-ways'.

Other Industries

Moreover, the growth of the Canadian market has significant implications for Canada's manufacturing industries. One of the main disadvantages under which many of these industries labour is the smallness of the domestic market, involving as it does 'short runs', frequent re-tooling, difficulties in keeping stocks of sufficient variety, relatively high overhead costs, and so on.

While a population of 25 million, even though it enjoyed a substantially higher standard of living than the present one, would obviously not create a mass market comparable with that in the United States, it would certainly enable many more industries to operate close to the optimum level needed for efficient production, competitive with imports. It would also reduce the dependence on export markets which in the existing environment of trade

restrictions has been a source of difficulty for some Canadian manufacturing industries.

Finally, a substantial growth in population would have the effect of spreading some of the high overhead costs inevitable in a country of great distances. For Canada's small population, the burden of transportation costs associated with building and maintaining the far-flung transportation system necessary to opening up the country has always been a heavy one. Similarly, the provision of postal, welfare, educational and other government services has involved outlays which are large in relation to the population to be served. Distributing these costs over a larger population would mean an appreciable easing of one of the basic problems of the Canadian economy.

But . . .

This discussion is an exercise in long-term possibilities. It certainly suggests a strong basic trend and opens up a prospect of growth for Canada more favourable than has been envisaged for many years.

It is important to remember, however, that it rests on assumptions about the world economic climate which, though they seem reasonable at present, cannot be taken for granted, namely that Canada's basic products will not suffer from a long-continued weakness in world demand and that there will not be a severe and prolonged depression. It should also be emphasised that such an exercise is in no sense a guide to the near-term outlook for, if anything is certain, it is that growth will not be even and will be characterised by periods of readjustment as well as by periods of expansion.

New Zealand Looks Twenty Years Ahead

A GOVERNMENT White Paper presented to Parliament, making an appraisal of the likely pattern of development in New Zealand in the next twenty years, says that the population is expected to increase by 50 per cent to a total of three million.

The paper, published on the eve of the Budget, says that New Zealand's external position, after achieving the goal of overall balance set by the Commonwealth Prime Ministers last December, has been greatly improved. The internal economy is also satisfactory with farm and factory production still rising, with the shortage of labour and capital easing a little, and with the rate of increase in consumers' prices slowing down.

A problem of increasing importance, both from the point of view of New Zealand and the Sterling Area, is that of adequate development for the New Zealand economy.

To provide for the increased population while raising living standards, a high rate of capital expenditure is required, it is stated. Of great importance will be capital expenditure in primary industry to expand production for export. At present, with 90 per cent of overseas earnings derived from the sale of primary products, it is certain that such products will continue to be the country's main exports for many years. 'As internal consumption of farm products will grow with the population, it is therefore important that farm production should continue to rise to keep exports at the highest possible level.'

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*What does New Zealand see in the crystal? Fifty per cent increase in population: steadily improving terms of trade; greatly increased capital formation.*  
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'In this way, the growing economy will be able to purchase the imports needed', the paper states.

The volume of farm production continued to rise last year. Since the war, the volume of dairy production has increased by about one quarter, while meat and wool production have each increased by about one-eighth.

Increased Productivity Forecast

The paper states that, with the fullest use of improved techniques and an active policy of land development, it is realistic to expect production to increase by about 30 per cent by 1975. In stressing the need for land development, the paper points out that the greatest part of production comes from 6½ million acres—only one-tenth of the total land available.

Prospects for the export trade are that the volume of exports as a whole may rise by a smaller proportion than the population between now and 1975. It is stated, however, that some help in maintaining the volume of imports per head of population may come from an improvement in the terms of trade over this period. It is also possible that foreign exchange receipts will be augmented by further local processing of some

From Public Relations Branch, New Zealand Government, Wellington, August 25, 1953

export products and that some imports will also be obtained in a less finished state.

Long-term market prospects for primary products seem sufficiently strong to support an intensive effort to increase production, the paper says. 'For many years, there have been warnings that the prosperity of New Zealand's basic industries is threatened by synthetic fibres as a substitute for wool and by greater sales of margarine as a competitor with butter. But while progress in the production of substitutes has important implications for New Zealand, it remains true that remunerative sales continue to be made of increasing quantities of wool and dairy products that New Zealand has been able to export.'

For wool, the paper states, the market at present is in a healthy state. Prices should continue to be good in the foreseeable future. Prospects for continued exports of dairy products are good because New Zealand is capable of producing these products at prices which will compete readily with those of other major exporters.

The paper adds: 'It is by no means certain that the highest quality margarine of a type that might compete with butter as a direct substitute for high-grade consumption can in fact be produced in greatly increased quantities at prices which would constitute a threat to New Zealand's dairy industry.'

Markets for meat, it is stated, appear to be particularly sound in both the short and long term view. Prospects are favourable for selling increased quantities at good prices.

In assessing that in the long run the terms of trade will become more rather than less favourable to New Zealand, the paper points out that

New Zealand is an exporter of food-stuffs of animal origin, demand for which is likely to increase with rising living standards in the world as a whole.

Terms of Trade

The paper states that the terms of trade have now improved to a level equal to pre-war. With the average of the three years 1936 to 1938 taken as a base of 100 units, the terms of trade, which were against New Zealand during the war years, climbed to 123 and 124 for 1950 and 1951 respectively but fell last year to as low as 83. In the first quarter of this year, however, the figure shows an increase to 101 units.

The growth of population will call for a high rate of capital formation and an even greater rate is desirable to improve living standards, it is stated. New Zealand is at present devoting nearly a quarter of its annual production to the creation of capital assets. Gross capital expenditure rose from £122 million in 1950-51 to £167 million last year.

The population is expected to increase at an average annual rate of 40,000 to 50,000 over the next ten years, and for each additional member of the population, a capital expenditure of several thousands of pounds is required to maintain present standards, it is stated.

The paper surveys the methods of paying the cost of development, and adds: 'Complex factors that govern the effects of different actions in the monetary field make it impossible to set down various methods of financing development in an order of desirability that would hold good for all economic circumstances. It is sufficiently clear, however, that New Zealand's development requires a high rate of savings to be maintained.'

India Can Do Without Foreign Aid

An optimistic forecast based upon encouraging experience

THERE has been a revolution in India's food problem. Let the pundits debate whether it has been due to control or decontrol, the merciful rains of Providence, or a lowering in total, as well as of urban, consumption.

The food situation highlights the changing economic picture, and it is the largest of single changes. But the change is really on a very wide front. Because our food imports this year were down to 2.1 million tons our balance of payments has been unhappily favourable; unhappily, because having regard to high prices within and the foreign component of the Plan, one would have desired heavy imports and, therefore, an adverse balance.

Expenditure in the Plan is running a little behind schedule even though industrial production is not. But this is not the reason for the favourable balance of payments figure. Indeed, an element of high stability has entered into our international trade. During the remaining years of this plan at any rate—notwithstanding the constant cries of the need for foreign aid—India seems well set in foreign exchange to meet every scheduled need.

Here too the picture has dramatically changed. A country hungry for foreign exchange has suddenly discovered that its problem is quite different. It is the full absorption of the foreign exchange resources which it has at its call.

The situation is certainly paradoxical. And at least one side of this paradox has even deceived the

Finance Minister. Pre-occupied with the paper figures of the Plan and the 'uncovered' figure of Rs. 365 crores in the final Plan, the Finance Minister has been thinking—at least until June—in terms of foreign aid as the necessary condition for stepping up India's investment.

Paradoxical Situation

Today it happens that the real problem is finding productive projects on which investment, domestic or foreign, can take place. So ineffective has this search become that in order to relieve the unemployment situation the only scheme which has been announced proposes to employ one hundred thousand persons as teachers and social education workers in the course of the next two years at a cost of 12 crores of rupees. There is, indeed, talk of a new Industrial Development Corporation and of another Rs. 500 crores investment in five years. But finance is not now the trouble. The trouble is what to produce and how.

The problem of foreign aid has thus reduced itself to zero. No one wishes foreign aid abruptly discontinued, but it is now seen in better perspective. It is a marginal and not an essential condition of Indian economic development for the remaining period of the plan. The new steel plant, the agreement for which was concluded last week, looks as if it can be financed, from the foreign exchange point of view, from the savings in food imports that Mr Kidwai (Minister of Food and Agriculture), has made possible. If India can

From Eastern Economist, New Delhi, August 28, 1953

remain well in balance with imports of 2.1 million tons, there seems to be at least *prima facie* evidence that in the next three years, if food imports can be held at 1 million tons per year, we will have additional foreign exchange on our own account of over Rs. 140 crores. It is also clear that the original estimate of foreign exchange requirements for the Plan was excessive; the plan has been in operation this year without any strain on our payments position, even while export earnings were declining.

And there is at least one good reason why this fortunate position should continue to prevail: that there is now neither need nor justification for enhanced imports.

Unemployment Problem

Another objection to enhanced imports is presented by the unemployment situation. Sir Sri Ram this week has presented a six-point employment policy, one cardinal feature of which is a reduction in imports. Actually any close examination of our existing imports will show that the scope for additional employment arising from restriction of imports is relatively small. But Sir Sri Ram's proposal does in fact reflect a popular demand and it is, quite definitely, a straw in the political wind.

The overriding demand for a solution of the unemployment problem is so great that the needs of the consumer will inevitably, in the short period, be subordinated to the needs of employment. It is just fortunate that the country is at this moment well stocked and production is at, or near, an all-time peak. If the political demand for an all-out employment policy at any cost had been imposed on a condition of shortage, the consumer may well have had a very raw

deal. As it is, the effect on the consumer of Sir Sri Ram's proposal is likely to be as marginal as the volume of imports affected.

This is thus a quite unfamiliar situation. There is abundance in stocks. Production continues high. The balance of payments is steadily favourable and the future is likely to be even better than the present. The country does not need enhanced imports, and is in the fortunate position of even taking some marginal reductions. Foreign aid, which for years has looked like the necessary condition of economic advance of an underdeveloped economy, has receded into its appropriate place. Deficit financing which, a few months ago, was in many quarters deeply feared has become a central instrument of finance. The demand for employment, rising shrill above every other need, has drowned financial orthodoxy to the point at which action for promoting investment, or even non-productive employment, is no longer subject to the exigencies of a balanced budget. Every future budget of the Indian Union for the period of the plan will be unbalanced on overall account, while we may possibly leave some foreign exchange resources unused. This is merely a financial reflection of a deep and profound decision forced on the Government of India by the people of India.

Under the shadow of crisis, the country and, to some extent, the Government of India is learning to raise itself by its own exertions. So long as present policies are not exalted into economic principles, which degenerate into economic autarky, they will do us nothing but good. A nation must know its own capacity before it asks for outside help.

Neguib's First Year in Egypt

An assessment of economic changes

WHEN the present regime came to power in Egypt in July last year the 1951-52 financial year had just ended with a deficit of £E.38m., the general reserve, which stood at £E.60m. at the beginning of 1951, was practically exhausted and there was a legacy of a large overdraft with the National Bank of Egypt.

At the start of 1952, a slump was beginning to be felt in Egypt. Following the maintenance of exceptionally high prices, thanks to artificial boosting, aided and abetted by the Government then in power, cotton exports showed a sharp drop, while imports continued on an unrestricted scale.

This situation soon had the effect of widening the gap in the balance of payments, the deficit rising from £E.31m. in the second quarter of 1951 to £E.55m. in the corresponding period of 1952. At the same time, Egyptian banks' holdings of foreign credits fell from £E.330m. at the end of 1951 to £E.306m. in May of 1952 and to £E.271m. by the end of the same year.

Adverse Effects

The slump in cotton prices had the effect of reducing the national income and resulted in a big drop in customs duties—one of the State's main sources of revenue—brought about unemployment and started a downward slide in the value of stocks and shares.

One of the first tasks of the present regime on coming into power was the implementation of a policy of austerity in Government expenditure. The

balance of payments was redressed considerably by the imposition of severe restrictions on imports and on spending abroad by tourists and the Government.

In addition, a cotton policy was drawn up which has brought back confidence in the Egyptian market. There is every indication that the carry-over at the end of the season will be considerably reduced. This, together with the 32 per cent decrease in the acreage under cotton, should help the Government to dispose of all of its stocks by the end of the new season which started at the beginning of September.

The new regime has also recognised the dangers of relying on one main crop and agriculturists are being encouraged to increase their production. Land reclamation schemes—several of them with the aid of Point IV—are now under way.

Agrarian Reform

The agrarian reform law limited holdings to 200 acres per person. This was mainly a social-political move, but the Government is taking care to ensure that the breaking up of the bigger properties does not entail a drop in production.

This is being achieved by the formation of co-operatives which will enable small landowners to make use of modern machinery and credit facilities with which to buy fertilisers, selected seed (sold by the Government in order to increase the yield and quality of crops) and cattle. The smaller owners will also get taxation relief, and complete exemption in certain cases.

From Financial Times, London, August 25, 1953

Another move has been the recent decision to allow farmers to export 50 per cent of vegetables grown on land previously allotted to other crops, or which had lain barren. This year's wheat crop is a record at over 56m. bushels, thanks to an increase in the area under cultivation and to a higher yield per acre.

In the industrial sector, the Government has two aims. The first is to start several productive projects as soon as possible in order to relieve the acute unemployment problem and also to ease some of the deflationary pressure that has set in. A sum of £E.42m.—to be financed mainly by internal loans—is down to be spent during the current financial year which started on July 1 last.

Second Aim

The second aim is to implement a long-term industrialisation policy. This includes the construction of the high dam at Aswan, which will also serve to irrigate new tracts of land and thus aid the expansion of agricultural production which still has to make considerable progress before being able to keep pace with the yearly population increase. Other projects are the extension of the iron and steel, paper and fertiliser industries.

Plans are also under way for establishing new industries.

Invitations have been sent to international firms by the National Production Council for the construction of silos in Cairo and Alexandria. These silos are expected to save Egypt several million pounds' worth of grain destroyed annually by insects due to improper storage facilities. Incidentally, most of Egypt's dollar expenditure goes every year for the purchase of wheat.

New Legislation

Industrial legislation passed since July, 1952, includes that of granting certain privileges to foreign capital invested in productive schemes. Under the mines and quarries law prospecting companies are no longer required to be solely Egyptian. The minimum percentage of Egyptian capital in joint stock companies has been reduced from 51 per cent to 49 per cent: new industries are exempt from taxation for a period of five years and an aid fund for the textile industry is to be established by law.

Various other legislation, such as the implementation of the customs drawback system to a wide variety of primary products required by local industries, and the provisional exemption of customs and excise duties on certain other goods, has been passed in an attempt to stimulate local production and exports.

In the commercial field, bilateral agreements with most countries of Western Europe, Spain, Yugoslavia, the Soviet Union and India has enabled Egypt to stop the drain on her sterling and dollar reserves and at the same time to dispose of her huge cotton stocks. Egypt's free sterling reserves have been showing progressive improvement and recently passed the £E.19m. mark.

In addition, these bilateral agreements have helped considerably to strengthen the position of the Egyptian pound abroad. So far, however, there is little prospect of any easing of the restrictions on imports from countries not having trade and payments agreements with Egypt.

In fact, in order to balance the ordinary Budget for the current financial year higher customs and excise duties were imposed on certain goods considered as non-essentials,

Iraq's Economic Prospects

IRAQ's present standard of living is lower than that of her western neighbours, Syria and Lebanon. Annual income *per capita* is probably at most about £30. Nearly 90 per cent of the population is illiterate, and there is widespread debilitation by endemic diseases.

The great majority of the population lives by the land, under a tribal system which has lost its paternal touch and bears severely on the share-cropping landless peasant. The total number of industrial workers was estimated in 1951 at probably not more than about 72,000, of whom about 14,000 were employed in modern industrial plants, including the oil industry. With oil revenues rising from £2m. to £5m. a year between 1948 and 1951, the budget was, until two years ago, precariously balanced at about £30m. a year.

This picture is already beginning to change as a result of the conclusion, in August, 1951, of the latest agreement between the Iraq Petroleum Company and the Iraq Government. Under this agreement oil profits are shared on an equal basis, before the deduction of foreign tax. The company guarantees a minimum output from its three concessions at Kirkuk, Basra and Mosul of 30 million tons a year from 1955 onwards, and a minimum oil revenue of £25m. a year from 1955 onwards.

In fact, output is already ahead of schedule, being now at the rate of 26 million tons a year (compared with six million tons in 1950); and if present world prices are maintained, total oil revenues for the five years 1952 to 1956 may amount to as much as £250m.

Among Middle Eastern countries Iraq is uniquely placed: possessed of great possibilities for economic development she has also an income from oil large enough to enable her rapidly to realise them. If the oil revenues are spent wisely and well the country may within 50 years have been transformed from a poor, backward, semi-feudal state into a prosperous and progressive modern nation. She may have become the granary of the Middle East, and perhaps also its main factory and workshop. Her population, at present barely five million, may have expanded, by natural increase and by immigration from her over-populated Arab neighbours, to something approaching its ancient size of over 30 million.

This phenomenal increase in output has been made possible by two facts: first, the completion of two new pipelines, bringing the total pipeline capacity from Kirkuk to the Mediterranean, excluding the two unused pipelines to Haifa, to 22 million tons a year; and secondly, the bringing into production of new oil fields at Mosul and Basra. The latter is potentially very rich, with reserves possibly equalling those of Kirkuk, which are estimated at 1,000 million tons.

Allocating Oil Revenues

The Iraq Government have wisely decided to allocate the oil revenues to the economic and social development of the country. In 1950 a Development Board was established by law, charged with the task of preparing a comprehensive development plan and vested with executive powers to carry out major capital

development projects; 70 per cent of the oil revenues are assigned to it, the balance being allocated to the Government departments for smaller schemes and current services.

The Development Board did not start the long-term planning of the country's economy from scratch. It had to hand a first-class blueprint in the shape of the report of the Haigh Irrigation Commission, which worked in Iraq from 1946 to 1949 and recommended an overall plan of development costing some £100m. which would increase the irrigated area of the country from eight million to about 17 million acres. Plans for road and railway development had also been prepared and these, together with a general economic survey carried out by an International Bank survey mission in 1951 formed the basis for an extremely ambitious six-year programme, for the years 1951 to 1956 inclusive, to which the Development Board has so far been working. The main heads of expenditure under this programme are as follows:—

Irrigation projects	£53,400,000
Roads	£26,700,000
Other communications	£4,100,000
Buildings (including hospitals and schools)	£18,000,000
Public utilities	£4,100,000
Agriculture	£7,500,000
Industry (chemical factory)	£31,000,000
Miscellaneous	£10,600,000
Total	£155,400,000

During the past two and a half years the Development Board has made impressive progress in implementing this programme.

Parallel to this immense programme of capital works which the Development Board is carrying out, the Government departments are laying the foundations for social

progress in such fields as education, public health, and labour policy. They are being assisted in this work by a substantial number of British experts employed on direct contract, and by experts provided under the United Nations and the American Point Four technical assistance programmes. Altogether there are about 250 foreign experts in Iraq.

The Iraq Government have not yet seriously tackled the major problem of land reform, but a law passed in 1951 provides for the allocation of newly irrigated lands to landless peasants, who will cultivate them under the general supervision of the Government.

Clearly there are great difficulties and dangers involved in implementing these immense plans. Will such rapid expenditure of revenue, amounting to a third of the national income, impose an undue strain on a primitive economy? Will it generate inflation? Will the Iraqi Civil Service be capable of shouldering this immense burden? Is the programme properly balanced, co-ordinated and timed?

That its pace may be too rapid is suggested by the fact that in the first two years only 50 per cent of the funds available to the Development Board have been spent. There are signs also of a lack of balance. Hospitals and schools, for instance, are being built far more rapidly than nurses and doctors and teachers are available to staff them. Another problem which is causing anxiety is the fact that the board's programme, which is necessarily concerned mainly with long-term capital projects, is unable to produce those quick results which the peasants, and the slum dwellers in Baghdad and Basra, anxious to see their lot improved, are looking for.

Sterling Area & South African Pound

BY PROFESSOR H. W. J. WIJNHOLDS (*University of Pretoria*)

How does the Sterling Area's dollar pool affect the position of the South African currency?

Most countries, and especially the United Kingdom, have a dollar shortage. The sterling area as a whole also has a dollar shortage. South Africa 'produces' more dollars than she uses; approximately £70 million in gold is yearly transferred to London in exchange for sterling. South Africa contributes to the dollar pool, but does not draw on it. This means that South Africa strengthens the other countries of the sterling area, but that the Union does not derive any strength from it.

As a consequence of the free movement of capital inside the sterling area, British capital was transferred to South Africa. This capital was not always genuine investment capital. During the first years after the second World War a good deal of British 'funk money' found its way to the Union. Measures have been taken to stop the inflow of hot money, but it is difficult to decide whether capital is transferred because of genuine investment prospects or because of high taxes and fear of a further devaluation of sterling. In any case the flow of capital was one-sided, as could be expected. The policy of free capital movements between the sterling area countries boils down to permission to transfer British capital to the Dominions and an assurance from the Dominions that this capital may be withdrawn without exchange restrictions.

The influx of British capital during

the past years has helped to bring about equilibrium in the balance of payments. For this reason it is often thought that the free flow of capital inside the sterling area has strengthened the position of the South African pound. At first sight this would appear to be the case. The question is not as simple as that, however.

Influence of Immigrant Capital

Apart from the inflow of hot money, British investment in South Africa has led to an increased demand for goods, also from dollar countries. If British capital is used for the erection of new industries that require capital goods from the United States, the inflow of sterling results in an outflow of dollars.

At the same time the inflow of capital has resulted in an enormous industrial expansion in South Africa, which is not without danger. Since at present consolidation and not further expansion should be the aim, the inflow of capital should be encouraged for the former purpose only.

In judging the effect upon South Africa of the free flow of capital inside the sterling area, it may be said that this has helped the industrialisation of the Union, but that, on the other hand, it has created a number of problems which call for reorientation. It may therefore be said that a decrease in the inflow of sterling in the near future need not be regarded as a disadvantage. It will strengthen rather than weaken the position of the South African pound. An inflow of dollar capital on the other hand,

if used for completing and consolidating expansion, can only be welcomed.

Until recently dollar capital has not been invested in the Union on a large scale. This is due, in the first place, to the fact that South Africa has been considered as falling within the British sphere of influence. South African industry has historical and financial ties with the United Kingdom and American investors are not interested in a minority share-holding in British controlled industries in the Union. *Moreover, it is fairly generally believed that the South African pound will follow sterling if a new devaluation of the latter currency should occur.*

Handicap of S.A. Membership

Here a definite disadvantage of South Africa's membership of the sterling area presents itself. The belief that the Union's currency will follow sterling automatically is not justified. The South African pound is an independent currency and the government of the Union is free to fix a rate for the S.A. pound that differs from sterling. The South African government will certainly follow an independent course for its currency if circumstances require this. (It should be remembered that the South African pound did not follow sterling when the latter was devalued in 1931. South Africa only made the decision to devalue in 1932.) Unfortunately this is not always realised, with the result that the South African pound is often considered 'weaker' than it really is.

Apart from membership of the sterling area, there is another fact that gives rise to the belief that the South African pound will follow sterling if the latter should be devalued in future, namely, the

amount of the sterling balance held by South Africa. If sterling should devalue and the South African pound should not follow, the Union would lose on her sterling balances.

If New Devaluation Comes

The most important argument why the South African pound should follow sterling is that the Union's trade with the United Kingdom and the other countries of the sterling area forms the greater part of her total international trade. It should not be overlooked, however, that South Africa's imports from the United Kingdom are much higher than her exports to that country. In 1951 imports from the United Kingdom amounted to £166 million, while the exports were only £73 million. Devaluation of sterling, without devaluation of the South African pound, would make the Union's exports more difficult. On the other hand, imports from England would become cheaper, bringing about a decrease in the cost of living and in production costs. In the event of the South African pound following sterling, exports to countries outside the sterling area would become cheaper. Imports would become dearer and the rise in the costs of production would soon offset the export gain. This is largely what happened in 1949.

It follows from the foregoing that although there are factors that may be used as arguments why the South African pound should follow sterling in the event of a new devaluation, there are also many arguments against such a decision. More important, however, is the realisation that the South African pound is an independent currency, the fate of which is decided only by the South

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Economic Folly of Colour Bar

BY DR VAN DER HORST

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RACIAL segregation has fought a losing battle throughout South African history with the powerful forces impelling economic integration. Absolute separation proved impracticable because of insufficient room for the races to live apart, and because all parties perceived the benefits of co-operation.

Partially dispossessed and thrust back on to congested land, the Africans sold their labour to the Europeans, and as unskilled labourers they were very welcome in a country where the demand for labour has persistently outrun supply. But when, in the mines, the African showed he could do something more than unskilled manual work, obstacles were put in his way and a colour bar erected to protect the European worker.

Outside the mining industry, the African's absorption into the older trades has taken place within a similar framework, but the growth of manufacturing industry is modifying this set-up. In modern factories an increasing proportion of the labour force is engaged on machine minding and routine assembly line operations, and such work—classed as semi-skilled in South Africa—is being done by members of all racial groups.

'Inextricably Interwoven'

Urbanisation: Employees in manufacturing industry have increased fourfold over the past thirty years, and along with this expansion of industrial capacity there has been a change in the nature of the labour supply. Increased urbanisation of

both the white and the black populations now offers a potentially more stable labour supply than was hitherto available.

The drift of the whites from the land largely preceded the industrial expansion, but the Africans have mainly followed industry to the towns, where, except as a necessary labour force, they have been neither welcomed nor adequately catered for. Today, whatever may be the theory, the towns are really mixed areas with members of the different racial groups inextricably interwoven in economic life. Indeed, only in the Native Reserves is there any large block of one racial group, for, with farmers just as dependent as industrialists and mine-owners on non-European labour, even the so-called 'European' areas in the country are, in reality, mixed areas, with the non-Europeans outnumbering Europeans as they do in the towns.

The main reason for African migration to the towns is undoubtedly rural poverty, for income from farming in the Native areas is pitifully low. It is to supplement their meagre income that so many Africans absent themselves from the Native areas for varying periods to work in the mines and towns—with consequent ill-effect on the economic well-being of the Reserves and on the traditional mode of African life.

Large-scale migration and urbanisation give rise to difficult problems in any society, but in South Africa these problems have been aggravated by the differences of colour and cul-

ture and by the refusal on the part of the Europeans to realise and accept the social change which has been taking place.

Instead of easing and assisting the process, fruitless attempts have been made to stem the tide of African urbanisation. Wherever evident, official policy has been only negative. It has been based on the ideology of segregation, which depends on the supposition that the Native Reserves are, and can remain, the home of the African people, and that the migrant labour system will prove permanent.

By obstructing urbanisation, however, the stabilisation of the labour supply has been delayed, so that South Africa reaps many of the evils of industrialisation without enjoying as fully as it might the compensating benefits this can bring in the form of higher productivity and a fuller and more varied life for all sections of the people.

'Self-Imposed Handicap'

The Industrial Colour Bar: The phenomenon of skilled artisans restricting entry to their occupations is not confined to South Africa, but in South Africa colour prejudice has been used to make respectable, and give (European) social sanction to, restrictive practices.

South African artisans are said to fear being swamped if skilled work were open to the non-Europeans, but the idea of a tidal wave of embryo African artisans waiting to rush in and overwhelm the Europeans seems rather far-fetched. While a certain quantity of non-Europeans would be immediately available for skilled work, their number should not be exaggerated.

Nonetheless, this self-imposed handicap of refusing to make full use of the nation's capabilities is not only

costly in terms of productivity but also unwise on social and political grounds. In the industrial fields, the restrictions epitomised by the colour bar affect productivity in various ways. They perpetuate a circle of low efficiency, low earnings and high labour turnover. Since an employer cannot make full use of the aptitudes of his labour force and promote individuals on the basis of ability, devising promotion and incentive schemes to increase efficiency is not worth while.

This attitude is strengthened by the high labour turnover, which also deters employers from embarking on training and promotion schemes. From the worker's viewpoint, with prospects for advancement limited, there is little inducement to increase efficiency or retain a job. Productivity remains low, therefore, and labour turnover high.

Migration takes place not only from country to town, but from job to job. In addition to raising costs and lowering efficiency, because of the necessity for constantly initiating new workers, high labour turnover along with the migrant labour system results in direct waste in time spent in travelling and looking for work, a waste of manpower that helps to explain South Africa's relatively low national income.

Luckily for South African industrial expansion, many of the newer industries are not subject to the colour bar to the same extent as the older trades. Nevertheless, the mental attitude bred by the colour bar pervades industry, and it is doubtful whether even where rigid bars are not enforced, sufficient attention is paid to the efficiency and morale of the non-European labour force.

* * *

Conclusion: Apart from the social

aspect, more consideration paid to the African's adaptation to industrial and urban conditions would yield high dividends in a material sense, for while the integration of the African into the country's economic life has been general, it has not been complete. Custom, law and sectional interests have determined the pattern of integration and narrowed the fields of co-operation. They have also bred an attitude of mind that may retard industrial progress.

In the foreseeable future, there is little doubt that European capital, organising ability and skill will be required to maintain and develop industry. There is a danger, however, that social, residential and political segregation, combined with colour and language difficulties, may result in the almost complete mental isolation of management and the

non-European worker.

There is in South Africa today an acute lack of understanding on the part of both African labour and industrial management: labour, on the one hand, fails to understand the content and purpose of instruction, industrial procedure and the relation between productivity and wages; and management, on the other, fails to appreciate the worker's viewpoint, his difficulties and his aspirations. South African industry thus offers an almost virgin field for co-operation between both sides, although much patience and goodwill on management's part will be required. But industry provides one of the few spheres of contact between the different racial groups, and it is in industry's own interest to bridge the gap that is at present such a drag on efficiency.

STERLING AREA AND SOUTH AFRICAN POUND *(continued from page 461)*

African Government, and that a monetary policy which is in the interest of sterling may not necessarily be so in respect of the South African pound.

Cheerful Summary

In summarising the consequences to the South African currency of membership of the sterling area, we may say that the membership does not impose any liability that endangers the Union's freedom of action. The South African currency retains its independence. The Union contributes about £70 million in gold to the dollar pool, thus diminishing South Africa's dollar resources of her own free will. This policy may be discontinued the moment the South African government thinks fit to do so. This means that the South African pound has a hidden reserve which makes it stronger than it appears from the outside. The

stability of the South African currency is not dependent upon the sterling area, but the sterling area is, as far as its dollar resources are concerned, to a certain extent dependent on South Africa.

Thus the prospects of the South African pound are favourable. Its internal position is sound. Government debt and taxation are relatively low; there is no reason to expect (further) internal inflationary tendencies, nor does the position of the balance of payments give cause for concern. There will be no difficulty in maintaining the existing rates of exchange. Membership of the sterling area does not mean that the South African pound must necessarily follow the fate of sterling.

The South African pound is an independent currency, which is legally entitled and economically able to pursue its own policy.

The Truth about Britain's Increased Productivity

Heartening increases in productivity are somewhat less cheering when the ups and downs that are hidden behind over-all index figures are scrutinised.

In the first half of 1953 industrial production was 4 per cent higher than a year earlier and 1.2 per cent up on the first half of 1951.

The recovery has been largely a result of the revival in home demand though in the second quarter of this year there was also some recovery in the volume of exports. Most of the rise in production has been obtained by using existing resources more fully than in 1952 (in particular there has been less short-time working), but from mid-1952 to mid-1953 there was also a one per cent increase in the number of people employed in industry.

These increases in production and employment have not, however, been spread evenly over the whole of industry. The following paragraphs show where production has risen and

where fallen, the changes in employment in different industries, and the implications for exports.

Changes in Output

The main *increases* in production have been in textiles, clothing, leather goods and food, in building and contracting, and in vehicles. They have been mainly the result of the rise in home demand, but exports of many types of textiles and of cars and aircraft were higher (by volume) in the second quarter of this year than they were a year earlier.

The main *decreases* in production have been in engineering and other metal industries with some notable exceptions such as vehicles, cranes and excavators and plant for civil engineering. The decreases largely reflect the fall in the volume of exports in the first half of 1953 compared with the first half of 1952.

These changes in production and exports and the corresponding changes in employment are shown below.

Percentage change in 1953 compared with the same period of 1952					Production	Volume of exports		Employment
					1st 5 months	1st Qtr.	2nd Qtr.	Mid- 1952 to Mid-1953
Building and contracting	...	...	...	...	+ 7*	not applicable		+1
Textiles	...	...	...	...	+15	- 6	...	+9
Clothing	...	...	...	...	+12	- 5	+11	+7
Leather and leather goods	...	...	...	...	+13	+30	+11	+9
Food, drink and tobacco	...	...	...	...	+ 4	-12	+ 4	+1
Vehicles (exc. tyres and tubes)	...	...	...	...	+ 3	-21	+ 1	+2
Engineering, ship-building and electrical goods	...	...	...	...	- 4*	...	-16 -10	- 4 -1½
Other metal goods	...	...	...	...	- 9	-25	-19	-4
Ferrous metals...	...	...	...	...	+ 3	- 3	- 3	-3
Non-ferrous metals	...	...	...	...	-23	- 4	+ 8	

*1st quarter only.

From Output, Employment and Exports, Bulletin for Industry, Information Division of the Treasury, London, September 1953

Changes in Employment

As with production, the main *increases* in employment from mid-1952 to mid-1953 have been in the numbers of textiles (78,000), in clothing (41,000), and in the food group of industries (10,000). The last increase is entirely a result of the larger output of sweets. In textiles and clothing, however, the increase in employment reflects the recovery from the recession in late 1951 and in 1952.

In spite of the rise in the last twelve months, the total number of people working in these industries in mid-1953 was still about 65,000 less than in mid-1951. (In the woollen and worsted industry, however, employment in mid-1953 was slightly higher than two years earlier, though lower than in mid-1950, largely because the recession and the recovery occurred earlier than in other textile industries.)

The main *decreases* in employment from mid-1952 to mid-1953 have been in the metal manufacturing and metal-using industries. Within this group the numbers in aircraft rose by 22,000 and there were also small increases in the numbers in blast furnaces and iron and steel smelting, in shipbuilding, and in locomotives and rolling stock.

Nevertheless, there was a net decrease in metal manufacture (18,000),

in engineering, shipbuilding and electrical goods (28,000), and in other metal goods (20,000). In spite of the fall in the last twelve months, however, the number of people working in the metal industries in mid-1953 was still some 75,000 higher than at mid-1951; in the aircraft industry, in particular, employment has risen steadily and in mid-1953 it was 35 per cent (56,000) higher than in mid-1951.

On balance the numbers at work in metal manufacturing and metal-using industries fell by 47,000 from mid-1952 to mid-1953; the numbers in all other manufacturing industries rose by 144,000. So there was a net increase of 97,000 people in manufacturing; this was offset partly by decreased employment in other parts of the economy, but there was also an increase in total civil employment of 71,000, of which 66,000 were women and only 5,000 were men. The main changes in employment are summarised below.

In the past year it seems that industries which have been able to increase the volume of exports or which were on defence work have generally been able to secure the manpower they needed, apart from some types of skilled workers. It should not be difficult to produce more goods for export when we have found the markets for them.

End-June 1952 to end-June 1953			
Manpower decreased in	(^{'000})	Manpower increased in	(^{'000})
Transport and communications ...	33	Textiles, clothing and other manufactures* ...	144
Agriculture ...	19	Building and contracting ...	13
Public administration ...	17	Mining and quarrying ...	1
Metal manufacturing and metal-using industries ...	47	Gas, electricity and water ...	1
	116	Distributive trades ...	25
Increase in civil employment ...	71	Professional, financial and miscellaneous services ...	3
	187		187

*excluding the metal industries.

How Much Better Off?

THE wide publicity given to the increase of industrial output since the war—according to the official index by almost one-third between 1946 and 1952—has had a somewhat dazzling effect on the assessment of Britain's economic position since the war.

It is only gradually being realised how far the effort to correct the balance of payments and to begin to build up some reserve has absorbed the increased wealth produced in the country since the war. *Personal experience, in fact, has so far been a better guide than statistics. We are nothing like so much better off as the figures have been allowed to suggest.*

Now the analysis of national output and expenditure made by the Central Statistical Office and a complementary study by the London and Cambridge Economic Service, published in *The Times Review of Industry* this month, taken together, have given common experience a statistical backing.

In the first place the index of industrial production, which is predominantly an index of manufacturing output, has given an exaggerated view of the increase of output in all activities. Output in agriculture, transport, the distributive industries, and other activities has risen much less.

National production as a whole, in real terms, rose between 1946 and 1952 by roughly 12 per cent according to one method and 15 per cent by another. That is, it rose at less than half the rate at which manufacturing output grew. Of this increase

in national productivity roughly two-thirds was absorbed in turning an excess of imports over exports, which (in 1948 prices) amounted to £667m. in 1946, into a favourable balance of £248m. in 1952. The volume of the goods and services available for use within the country, for all purposes, rose between 1946 and 1952 by less than 5 per cent.

Calculations such as these cannot be precisely accurate, but their significance is clear. The relatively small rise of under 5 per cent in the aggregate of consumers' expenditure (Government expenditure was less, in real terms, in 1952 than in 1946, and 'capital formation'—the provision of houses, factories, machines, stocks, and so on—rose by a half) shows how little scope for a general increase of real earnings there has been at any time since the war.

In the past two years the aggregate volume of goods and services on which earnings could be spent has actually fallen. The proportions which different groups of income earners could take out of the pool could be varied, but the pool was smaller.

In one respect the future may now look a little brighter. The terms of trade are more favourable than they were a year ago. But sterner competition in the export trade has introduced a new cold wind. There is no reason to suppose that the trend which has reflected the country's difficulties since the war will quickly undergo any radical change for the better. There are no easy times ahead.

T.U.C. General Council Reports on:

(1) BRITAIN'S EXPORT PROSPECTS

THE achievement of a further necessary increase above the export level of 1951 of more than one-fifth will not be easy.

It is true that since the war there has been a great expansion in our exports and in 1951 they were nearly 80 per cent above 1938. But this expansion was achieved in world trading conditions which were exceptionally favourable.

These circumstances no longer exist. Sellers' markets have disappeared over nearly the whole range of manufactured goods. Keen competition has reappeared in world markets with the rapid industrial recovery of Germany and Japan and with the development of manufacturing capacity in a number of the less developed countries. The sterling balances have fallen in real terms so that a higher proportion of them must be immobilised as minimum foreign exchange reserves.

Demand conditions for our export during the next few years are not easy to foresee. Much depends upon what happens when the rearmament programmes of the N.A.T.O. countries approach completion.

In particular, it cannot be taken for granted that the present high level of activity in the U.S.A. will be maintained should defence expenditure be considerably reduced. Even a moderate recession in the U.S.A. would have serious effects on our export trade, both by reducing the incomes of our customers and by increasing competition from U.S. export industries. Some fluctuation

in the level of economic activity in the U.S.A. is in any case inevitable and international action is required to deal with its consequences.

However, it can be said that while a recession in the U.S.A. would greatly aggravate most of our economic problems it would not change the character of these problems or alter the main direction of the adjustments which our economy will have to make.

Keeping the above qualifications in mind the following appear to be the likely trends of demand for our main export lines:

Metals.—Demand for steel and non-ferrous metals is likely to remain good during the next five years, but there will be increasing competition from the Schuman Plan countries and the U.S.A. (particularly if expenditure on rearmament slackens). Much will depend on the rate of economic development in the South and Central American countries and in the Commonwealth.

Metal goods.—The world demand for capital goods should remain high and there is opportunity for a considerable increase in our exports if delivery dates can be shortened and costs kept down. The development projects for improving the sterling area's balance of payments agreed upon at the Commonwealth Conference in January 1953 all depend heavily on the provision of capital goods from this country. Locomotives and other rolling stock, heavy electrical plant and some agricultural and mining machinery will be in

particularly strong demand. There are also excellent prospects for sales of capital goods to Canada and the South and Central American countries. As over a half of our deficit with the dollar area is incurred with these countries an expansion of our exports there is particularly important. Prospects for metal goods will also be affected by any developments in East-West trade.

The newer metal goods industries such as electronics and aircraft offer exceptional opportunities for an expansion of exports. There should also be some increase in shipbuilding exports provided that delivery dates are shortened. The market prospects for metal consumer goods (about one-quarter of total engineering exports) are not nearly so good, but there should be some revival of demand over the 1952 level as import restrictions in the Commonwealth countries are relaxed.

Textiles.—Some recovery of world demand for textiles has resulted in a modest improvement in our textile exports, especially woollen goods, during the last six months. There should be a reasonably stable market for high quality woollen and worsted manufactures in North America during the next few years. Export prospects for cotton and rayon depend mainly on the policies pursued by the Commonwealth countries. There are better prospects for the synthetic textiles which will tend to displace the older textiles. The long-term trend in the world market, however, is one of decline, owing mainly to development of production in countries which previously imported. In this shrinking world market we shall have to face strong competition from Japan, India, Pakistan, the U.S.A. and European exporters such as France and Italy.

We can only hope to maintain our share of the world market by increasing our competitive efficiency.

Chemicals.—Although exports have expanded steadily since the war our share of the world market fell between 1948 and 1951, due mainly to increased competition from Germany and the U.S.A. It may be possible to expand exports of synthetic fibres, plastics, petro-chemicals, and fertilisers in the next few years, but this will depend largely on technical developments within the industry.

Other Commodities.—The shortage of coal in Western Europe will continue for the next few years and there should be a ready market for our coal. Exports of petroleum products should also increase.

* * *

To sum up, the possibility of expanding our exports to the required extent during the next five years rests mainly upon an increase in metal goods (i.e., engineering) exports. Within this category the new industries such as electronics and aircraft offer exceptional opportunities for expansion; so also do some of the newer sections of the chemicals industry. Whether these possibilities materialise will depend upon expansion of capacity and improvement of efficiency; there is also a great need for the continued development of new techniques and new products to enable us to keep ahead of our competitors.

At the same time we shall continue to rely on traditional export industries, such as textiles, for a considerable part of our earnings and it is important that they too should improve their competitiveness if they are even to maintain their share of world markets.

Looking at industry as a whole, therefore, it will be absolutely vital

to attain a high level of scientific research and capital investment.

It may be noted that the possibilities of saving imports, too, particularly concern certain of the industries which have just been mentioned—notably metals, engin-

earing, chemicals, and in addition agriculture. For import saving, likewise, realisation of the possibilities rests upon expansion of output and improved efficiency, and hence again in varying degrees upon a high level of research and capital investment.

(2) CAPITAL FOR INDUSTRIAL DEVELOPMENT

An attempt may be made to estimate the total amount of investment required in industry and agriculture over the next five years.

It must again be emphasised that any such estimate is of the roughest kind and is only intended to give a general idea of the size of the problem we face. Apart from anything else, there can be no assurance that the relationship between the increase in production during a given period and the amount of investment will be constant.

With this major qualification the table (*see below*) gives an indication of the increase in capital investment that would be necessary to expand production by the required amount. It should be added that the increased investment allowed for electricity, gas and water and for transport and communications does little more than cover the minimum requirements of these services.

To achieve a rate of gross fixed investment in industry of nearly 15 per cent above the 1952 level in each

of the next five years would be a formidable task, especially since some rise of investment in housing and the social services must also be allowed for. Moreover, the physical difficulties of carrying out the particular kinds of investment required, notably in the coalmining and steel industries, would be still greater than the financial problem of securing the desired general level of investment.

Yet there can be no doubt that, however inaccurate the above figures may be individually, and whatever the physical and financial difficulties of achieving such targets, an increase in capital investment approaching this amount is essential if we are to achieve economic independence and maintain our standards of living.

Indeed, to the extent that it is not just a question of securing an expansion of output but of raising technical efficiency as well, the above figures probably understate the amount of increased investment required; that would apply particularly to manufacturing industry.

(£ million)

Gross Fixed Investment by Industries at 1951 prices	(£ million)	
	1952	Average increase over 1952 required in each of the next five years
Agriculture, forestry and fishing	77	10
Coalmining	43	20
Iron and Steel	52	40
Manufacturing industry	511	40
Electricity, gas and water	220	25
Transport and communications	220	30
TOTAL	1,123	165

Three Points For Trade Unionists

BY TOM O'BRIEN, M.P.

(1) THE COST OF LIVING

ALTHOUGH over the last financial year retail prices as a whole rose by 6 per cent—much less than in the preceding year—food prices alone rose by nearly 12 per cent.

Unions are confronted with a dilemma. If they take steps to increase wages it is a virtual certainty that the increased cost will be passed along to the consumer by way of price increases; and most of the consumers are wage earners. So every trade union today accepts the principle that protection of their members does not lie wholly in securing an increase of money wages. It also necessitates a close and careful scrutiny of economic policy and trends in order to safeguard their members' employment. A reasonable rate for the job is only a part of the test. It is equally important that there shall not only be a good rate for the job, flexibly adjusted to price movements, but that there shall be a job available to which the rate applies.

(2)

DEVELOPING TERRITORIES

Trade unionists in the colonies, striving now to build up their unions as we had to strive a hundred and more years ago, look to the T.U.C. not only for advice and help in their organisational problems. They expect, and have a right to expect from Britain, more material assistance than resolutions on paper.

There are great and adventurous developments taking place which we

do not recognise as fully as we should, perhaps because of the prosaic sound of their titles. We talk of the Colombo Plan. We talk about the Chief Joseph Dam. We talk about the Volta River Project, and we know by name many other gigantic engineering projects. If we translated their names and titles into terms of human endeavour and human sacrifice we should know better what is afoot.

Let our imagination take in the human significance of these stupendous schemes which will provide power over vast areas and lessen the load of labour and bring the benefits of modern civilisation to peoples who feel that their own exploitation should end and be substituted by the exploitation of nature. That is what increased production means.

(3)

PRODUCTIVITY AND PROFITS

It is the aim of trade unions to raise the living standards of their members. Increased productivity is the means to that end. The idea of deliberately refusing to increase productivity is simply nonsensical. It is almost weakminded to suggest that increased productivity simply means more profit for the bosses and no profit for anyone else. If anyone believes that trade unions are powerless to prevent employers pocketing the whole proceeds of increased productivity he has no right to a place at this or any other Congress. That is precisely what every trade union has been doing ever since it was formed.

From Presidential Address, T.U.C., Douglas, September 7, 1953

Incentives in Engineering

BY THE RT HON. R. R. STOKES, M.P.

IN engineering workshops not much more than half, in some cases perhaps 65 per cent, of the operatives have the chance of directly affecting their own earnings; the other 35 per cent, from the people who sweep the floor to the people who drive trains, run trucks, sling loads on to trains, and the like, have no chance at all.

What a man worries about is what he will get in his pay packet. Therefore, while we may provide incentives to the piece worker, what are we going to do about the chap who is not on piece work?

The important thing in getting production up is to have everybody interested in increasing it. The person who slings things on to trains for instance, can affect production enormously. If the piece worker is to work harder that chap has to move more stuff, and he has to be interested in it.

Scheme that gets results

We devised a scheme whereby everybody shares in increased production—everybody from the floor sweeper to the most highly-paid operative.

The firms to which I am referring started this scheme in 1950. The result is that since that time the average earnings have risen from 58 per cent to 77 per cent, which is a considerable sum. The money value of that works out roughly at between £27 and £35 a head tax-free on the year.

I want to emphasise that there is no sense in introducing a system of this kind unless everybody gets the same. That may sound extraordinary

In a characteristically vigorous speech in the House of Commons, the popular ex-Minister tells of his own experience in engineering, reminding the House that 25 per cent of U.K. national output comes from the engineering industry and 40 per cent of the total U.K. exports from engineering production.

but if the higher paid worker, who is directly responsible for increasing output by increasing his piece-work earnings, is to get less than the chap who sweeps the floor, he will not be so keen about it. Therefore, it has to be arranged in such a way that in effect everybody gets the same amount tax-free. It does not mean that the Inland Revenue are being defrauded. It merely means that the company pays a bit more in order to provide for the tax charged to come off the worker's pay roll, which in fact it does though one does not say so.

When a system is introduced which makes everybody interested in not wasting time, certain things happen. We find that the minimum of time is spent on tea breaks—those vexatious things to the Victoriaminded. We find that people do not dash off at the sound of the bell or the hooter, and there is the minimum waste of time in starting and stopping. We find that there is a punctual return after holiday breaks and no slacking off at the holiday approach, and, above all, there is less voluntary absenteeism.

Before this scheme was started in the factories to which I am referring, there was an average voluntary absenteeism through the year of

From Speech, House of Commons, July 20, 1953

about 2 per cent, but for the last year it has been on the average less than one-tenth of 1 per cent. The tendency of people to shift from one job to another in the last three years has gone down by 50 per cent.

Marked Decline in Absenteeism

On the question of absenteeism, my next point is the effect of the delay in the payment under the National Health Service of sickness benefit. Under the scheme whereby a man has to endure a three days' waiting period before he gets any benefit, the tendency on the part of the married man with children is not to go sick when he ought to go sick.

Again, these same firms introduced a scheme whereby, as the Government were not forthcoming in the matter, the firm would be forthcoming. That, in its turn, has had most remarkable results. At the time when there was no compensation by the firm for these three days' waiting the absenteeism due to sickness averaged just over 4 per cent. The effectual abolition of the waiting period by the firms supplying, not in full measure, but in part measure, for that waiting period, has led to a reduction of that 4 per cent to 1.7 per cent.

The contention of the personnel manager is that it is because the older men, who before used to hang on until they were properly ill and then went away for a month, now go off immediately they feel bad and are away two or three days and return by the end of the week. By this means, there is not as much loss of production as under the present National Health Service scheme.

For the information of those who are interested in the costs of this scheme, I can give the figures relating to a factory with 1,400 men. The

average over the last five or six years has been about £980 a year. In the first year it cost £1,900, and in the year ending 31 December, 1952, the average cost to the firm was £592; and the average absences, instead of being 57, were only 28. I submit that a case is made out for the abolition of this waiting period.

How Fuel Can Be Saved

Now I come to a different matter altogether, that of fuel saving in industry. Everyone knows how important fuel saving is. What we are going to save in domestic fuel is chicken-feed. If we succeed in making the domestic user save fuel in one way, he will immediately burn it up in another way, and we shall not get anywhere. But in the industrial field—again I am speaking from experience—these figures show what can be done. A firm whose fuel bill was £10,000 a year, by insulating the big tin and iron structures in which the greater part of the engineering industry works, reduced their fuel bill by £3,000 a year, or 500 tons. On the spending of £14,140 the annual saving is now £2,900, or practically one-third of the fuel bill of £10,000 a year.

I ask the Government to do something about this. I know that the capital cost of the installation is allowed as an item on which there is an initial allowance granted, but that is not enough. The reason is that no one has enough money to spend in industry today.

What I should like to see is proper insulation allowed as a fuel revenue charge. I would go further and enact some legislation making it a penal offence, after a time, not to have insulated a building. I believe that in the industrial field alone we could save something of the order of ten million tons of coal a year.

How to Overcome Impediments to Dollar Investment Abroad

BY LEWIS W. DOUGLAS

INCREASE in private investment of dollars in foreign countries is not likely to occur in adequate amounts in the immediate future. With the exception of the development of petroleum reserves and mineral deposits elsewhere, the opportunities for profitable employment of capital in America are too numerous and great to induce any large out-flow on private account into enterprise overseas.

In many cases the earnings of overseas ventures are subject to double taxation and American Investments are submitted to subtle discriminations. Moreover, the political risks of expropriation, the economic hazards of exchange transferability and the difficulties of converting earnings into dollars are real impediments to the foreign investment of American venture capital.

Some of these impediments can readily be removed; others, it is to be hoped, will in time be progressively diminished until they disappear. In the immediate future, however, it may be more practical to focus our ingenuity on valid devices which might provide a reasonable transition from a period in which American dollars, through public agencies, have been invested overseas and the period when the flow of private capital becomes adequate. To this end, a combination of agencies of governments working in association with private management and capital might perform a highly useful service.

World Bank's Function

The International Bank, for example, provides a method by which an environment favourable to private investment can be created. The provisions of the indenture of an International Bank loan, more than the amount of credit which it extends, can define the terms upon which investments of private funds might be made with reasonable immunity against most of the political hazards. On the British side, the Commonwealth Development Corporation has been established with headquarters in London and may well afford a vehicle for the investment of American dollars in association with sterling within the Sterling Area.

Still another device which may merit exploration is the participation of American banking houses in sterling loans made by London banks with some sort of British guarantee of a rate of exchange and an Export-Import Bank guarantee of the transferability of the participating dollars. Such a device—a combination of guarantee as to rate and transferability—might apply generally to all dollar investments made in the United Kingdom or in other parts of the Sterling Area.

Price Fluctuations

Finally, in addition to the questions of trade and investment policies already reviewed, we should seek to develop measures to abate the violent fluctuations in the prices and the volume of the major raw materials

From report to President Eisenhower of the Lewis W. Douglas Mission, Washington, August 25, 1953

that enter into international trade. This single phenomenon of the post-war period has produced strikingly adverse effects upon the trade of the United Kingdom, the Sterling Area, and Western Europe.

Without recommending inter-governmental commodity agreements, the history shows that this is a problem that deserves more study. One important approach might be to develop co-ordination between

governments so that purchases by public agencies may be diminished when the business community is building up inventory, and increased when the business community is liquidating inventory, thereby using government purchases, to the extent necessary for other reasons, for the purpose of mitigating the effect of the cyclical movements in these critical materials.

STRUCTURE OF AMERICAN TRADE UNIONISM

ABOUT 17,000,000 workers in the United States, including 3,000,000 women, are represented by 215 national or international unions. Of these, 109 are affiliated with the American Federation of Labour (AFL), 33 with the Congress of Industrial Organisations (CIO), and 73 are independent.

There are three levels of union structure: the local (branch), the national federation, and the international—the last having Canadian affiliation. In addition, both the AFL and CIO maintain organisations at the State level. In the AFL these are known as State Federations of Labour, and in the CIO as State Industrial Councils. As of 1952, there were fifty such organisations in the AFL and forty in the CIO. On the municipal level, the AFL has 821 city central bodies, and the CIO has 247 city and county councils.

The AFL also has five departments: Building and Construction Trades; Metal Trades; Railway Employees; Maritime Trades; and Union Label and Service Trades. Another special group of twenty-four unions is comprised in the AFL Government Employees Council.

Of the two major federations, the AFL is the largest with approximately 9,500,000 members or almost twice as many as the CIO's estimated 5,000,000. Another 2,000,000 to 2,500,000 workers are enrolled in independent unions.

Membership in individual unions varies from less than 5,000 to more than 1,000,000. Two CIO unions, the Steelworkers and Auto Workers, and the AFL Teamsters report membership of well over 1,000,000. Three AFL unions and one independent are reported to have between 500,000 and 1,000,000: United Brotherhood of Carpenters and Joiners (AFL); International Brotherhood of Electrical Workers (AFL); International Association of Machinists (AFL); and the United Mine Workers of America (Independent). Of the remaining unions, about 40 per cent have between 25,000 and 100,000 members, while approximately half have less than 25,000.

It is estimated that more than 75,000 locals are affiliated with national or international unions: 70 unions have fewer than 50 locals each, 99 have more than 50 but less than 500, and 43 unions have 500 locals or more.

The United Mine Workers is the largest of the independent unions, with a reported membership of 600,000.

The AFL counterpart of the PAC is Labour's League for Political Education (LLPE), established in 1947. Activities of the LLPE, financed by voluntary contributions, include research services, providing speakers for meetings, organisation of local units, and sponsorship of a radio department.

CIO and AFL unions also act individually at all levels to support candidates and promote legislation important to the welfare of their members and of the general community.

New Books Reviewed

Analysis of Rateable Value at April 1, 1952, Society of County Treasurers, 20 Vauxhall Bridge Road, London, S.W.1, 7/6.

In this new pioneer work, the rateable value of and the number of hereditaments in all the Counties in England and Wales (excepting only London and one other) have been analysed between thirteen classes of hereditaments. Separate figures are given for urban areas and rural areas in each county. Rateable value and promises of revaluation are highly important items in current politics, and the path of revaluation, which has proved to be extremely rough, will be smoothed by this valuable contribution to our knowledge of the basic facts.

Income and Wealth, Series III, edited by Milton Gilbert, published for International Association for Research in Income and Wealth by Bowes and Bowes, Cambridge, 35/-.

If the title looks dull, it may be hoped that the two previous volumes in the same series have at least established the idea of first-grade authority. There is nothing dull about the contents, anyway, which present the more important papers presented by eminent scholars at the Association's Royaumont Conference in 1951. The range of subjects is world-wide, and the dozen authors are all of the highest authority. Treatment is such that publication two years after delivery has not outdated the articles, but perhaps most readers of today will turn most eagerly to Frederic Benham on 'Income & Production in Under-Developed Countries' and S. Herbert Frankel on 'Concepts of Income and Welfare in Advanced and Under-Developed Societies with special reference to the Intercomparability of National Income Estimates'. These are by no means the only items on this much-misunderstood problem of world welfare in a wholly admirable book.

Problems of Economic Union, by James Edward Meade, George Allen and Unwin Ltd, London, 9/6.

Last year, Professor Meade gave three lectures at the University of Chicago under the auspices of the Walgreen Foundation for the Study of American Institutions. The lectures are now presented, with the addition of the author's article on the same broad subject in *Lloyds Bank Review* two years ago. The other three subjects are: Commercial Policy; The Balance of Payments; Movements of Labour and Capital. (Incidentally and trivially one may inquire

whether Professor Meade's use of American spellings such as 'labor' and 'defense' is one of the first-fruits of Atlantic union, for this edition was printed in Britain.) The great quality of the book is the author's characteristic way of orderly thought and exposition which give an impression of practicability, if not actual simplicity, in what in fact is the highly complex realm of Atlantic union. One is bound to welcome also the very modest price of this work.

Enterprise and Secular Change, Readings in Economic History, George Allen and Unwin Ltd, London, 32/-.

This collection of essays is sponsored by the American Economic Association. It is designed to make permanently accessible articles which otherwise might lie buried in the files of magazines and reviews. Previous items in these collections of readings include 'Readings in the theory of income distribution', 'Readings in business cycle theory', 'Readings in the theory of international trade', and 'Readings in monetary theory'; so that we are being taught to welcome something that readers have always been held to dislike, namely, the book with a variety of authors. But then, most such compilations are just lazy books, and here the purpose is far from that—is quite other. Indeed, infinite pains have been taken to bring together really important material. The sections deal with Business Units; Money and Prices; Method. There is a useful biographical index, and an index of names cited throughout the book which indicates the astonishing range of the work.

Indian Economic Journal, Volume I, No., 1, Indian Economic Association, Bombay, 7s, 6d. (annual subscription £1 5s.).

One must welcome and applaud this new publication, format and style of which are based upon the journal of the Royal Economic Society. Editors are C. N. Vakil, R. Balakrishna and B. V. Krishnamurti. Perhaps the most immediately attractive article to readers outside India is that of Mr B. V. N. Naidu on 'Planning in Underdeveloped Countries'. Other articles are 'Capital Formation and the Five-Year Plan', by J. Tinbergen, 'Some Practical Problems of Planning' by N. S. Padasani, 'Monetary Standard in India' by D. Bright Singh. There are also several more highly theoretical treatises.

DIGEST BOOK REVIEW

Conflict on Under-developed Countries

THERE is now general agreement on the importance of the economic development of the poor countries, but the underlying issues still require clarification. This is shown by two books recently published on the subject.* The authors, Professor S. H. Frankel and Mr Harold Wilson, take an almost opposite line.

Professor Frankel, whose long experience in Africa makes him a special authority on colonial economy, examines the basic problem facing the under-developed countries, *viz.*, the clash between the functional forces of modern industrialism and the rapidly disintegrating indigenous economies of communities governed by forms of social organisation unable to yield the living standards increasingly being demanded by all peoples of the world. Of the nine essays collected in the volume, five deal with the conceptual aspects of the problem and go a long way to dispel widespread illusions and misconceptions. The other four essays apply the general analysis to African problems.

Mr Harold Wilson's approach is that of the politician and missionary. His purpose is not to analyse the problems involved in development, but to rouse the hearts of men 'to convert what is at present a phoney war into an all-out crusade against human poverty'.

This book contains a useful compilation of factual data on the work already done by the United Nations and other agencies in the field of development; but he does not attempt to conceal his political bias and his passion for large-scale planning.

National-Income Criterion

Mr Wilson first deals with the poverty of the large part of mankind. However, he bases his discussion, if with some slight qualifications, on figures of national income and income per head. Professor Frankel shows in two of his essays, which deserve the attention of every serious student of the problem, that the comparison of income aggregates of societies with different systems

of value and different conventions is meaningless, since it can only be made on the basis of a concept of abstract welfare. 'How can one attempt to assess whether the pre-industrial community is "better off" when, as in South Africa, for example, it has undergone a rapid process of urbanisation, and has been integrated into a modern economy in a quite different social framework?'

It is necessary to make this point since later on Mr Wilson adopts the 'tentative' figures of the U.N. Experts' Report, *Measures for the Economic Development of Under-developed Countries* (1951), which assumes that the national production per head of the under-developed countries as a whole should increase by 2 per cent per annum, which would require an annual capital import from the advanced countries of over \$10,000 million (another \$9,000 million to be found from their own resources by the under-developed countries).

This U.N. report is subjected to a searching analysis in one of Professor Frankel's essays. Here we shall restrict ourselves to one quotation relevant to Mr Wilson's argument:

'What possible basis exists for the categorical statement that the \$19 billion investment should *originate* national income to the extent of 2 per cent or indeed any other percentage? Capital investment *per se* does not originate anything other than the capital expenditure itself. It is people, who, if they possess the disposition, aptitudes, experience and knowledge, and if they find suitable environmental opportunities, alone can *originate* anything at all. Whether investment will produce net income, or, indeed, any income, or whether it will simply rust, like some of the railway lines built prematurely at great capital cost in Africa, depends not only on the correct investment of the capital in the right directions, but even more on the continuous successful management and handling of it.'

*S. Herbert Frankel. *The Economic Impact on Under-Developed Societies*. Oxford, Basil Blackwell. 15s.

Harold Wilson. *The War on World Poverty*. London, Victor Gollancz, Ltd. 14s.

£10,000 m. Wanted

Mr Wilson acknowledges that nothing like a sum of \$10,000 million could be mobilised through the existing channels for financing development (and, to his credit, he acknowledges that the World Bank is carrying out a valuable role in its own field), and pleads for the establishment of a World Development Authority to close the gap between the \$1,000 to \$1,500 million actually available in external finance and the \$10,000 million proposed by the experts.

There is no questioning of this sum—irrespective of whether personnel, projects and materials are ready for such expenditure—or of how the money is to be raised. Mr Wilson appears to have some doubts as to whether the United States would collaborate, but proposes that Britain should 'go it alone' with a contribution of £350 to £400 million. He thinks this burden could be borne out of rising production (and apparently on condition that the rearmament programme is further cut down), but he does not seem to be aware of the necessity for reducing the excessively high level of taxation, nor does he show how we are to rebuild our external reserves and our dollar investments if the whole of our external surplus is to be devoted to development. Surely, there could be no more certain way to a perpetuation of our external difficulties than this pursuit of a utopian ideal.

Imperialism—Old and New

Although Mr Wilson thinks it necessary to revive the attack on Britain's pre-war colonial policy, which he refers to as 'imperialism', at the same time he introduces a new type of imperialism when he discusses the working of the proposed World Development Authority.

He stresses that the Authority would have to ensure that its funds are not misused by the receiving Governments. However, he goes further and suggests not only that recalcitrant Governments should be refused aid, but that in the last resort all measures short of war, to the point of fermenting social revolution, should be applied.

This proposal may be contrasted with Professor Frankel's discussion of the concept of Trusteeship:

'But Trusteeship implies the existence of Trustees. Where, we must ask, is there to be found that body or nation of philosopher kings which, endowed with the gifts of prophecy, knows not only who must change and who shall remain unchanged, what shall be born and what shall remain unborn, but possesses also that most precious gift of heaven—the ability to change itself?'

'Is it not possible that the European Trustee Powers have themselves become entangled in a rigid structural pattern of the past? Europe itself must also merge into that wider sphere of action and hope.'

Professor Frankel's essays are not only of interest to the student, but also to the politician and administrator. His insistence on the consequences of the disintegration of old social patterns without their replacement by something better if development is carried out without a clear concept of what it implies not only economically, but also socially, is the more valuable since development is so often seen merely as a problem of 'technical progress'.

M.G.

ITALY NEEDS MORE THAN MONETARY STABILITY

It is quite comprehensible that the Governor of a Bank of Issue should devote his special attention to monetary stability, and should keep his attention fixed on any symptom that may suggest a development of the economic and monetary situation which might sooner or later affect that stability.

There are, however, several ways of understanding and applying a policy of monetary stability. The balance between the demand and supply of money and goods may, at a given price level, be kept, by acting on the supply of money, i.e. on the demand for goods, or by acting on the supply of goods, which is the same thing as acting on the demand for money. But the presentation of such an alternative is sufficient to make one realise the need of overcoming it by eliminating it. That is to say of the need of keeping an eye both on demand and supply, on the needs of the market and on the needs of production, without forgetting that the purpose of economic activity is to satisfy human needs, that is to say, to produce, first of all on as large a scale as possible, all that is needed to satisfy those needs.

We are well aware that monetary stability is one of the basic conditions for the sound expansion of production. But in pursuing the aim of maintaining that stability one must not lose sight of the final purpose, and one must not consider as an end that which is only a means; one must not sacrifice the end to the means.

Such propositions are self-evident; we might almost say they are truisms. Nevertheless, they cannot be over-emphasised and it is essential that they be borne in mind more especially in the months and years that lie before us, in which it will be necessary to avoid both the danger of inflation and that of an economic depression that might lead to incalculable consequences, even of a kind extraneous to the economic field; consequences of a much wider bearing than those of a currency inflation.

From Italian Economic Survey, published by Association of Italian Joint Stock Companies, Rome, August 1953

PUBLICATIONS OF UNITED NATIONS AND SPECIALISED AGENCIES

Commodity Indexes for the Standard International Trade Classification. United Nations, New York, April 1953 (available from H.M. Stationery Office, 37/6).

This edition of the S.I.T.C. contains, for the first time, indexes showing the location in the S.I.T.C. of about 20,000 individual commodities.

Commodity Trade Statistics, January-December 1952. (Statistical Papers, Series D, Vol. II, No. 4), United Nations, New York, June 1953 (available from H.M. Stationery Office).

Contains figures on commodity trade, classified according to the groups of S.I.T.C., by countries of provenance and destinations for twenty countries.

Special Study on Economic Conditions and Development in non-self-governing territories. United Nations, New York, June 1953 (available from H.M. Stationery Office, 22/6).

Technical Assistance Committee. Fifth Report of the Technical Assistance Board. Economic and Social Council, Official Records; 16th Session, Supplement No. 10. United

Nations, New York, July 1953 (available from H.M. Stationery Office, 25/-).

Economic Bulletin for Europe. First Quarter 1953. E.C.E., Geneva, July 1953 (available from H.M. Stationery Office, 3/9).

Contains in addition to the usual survey, special articles on trade between Eastern and Western Europe and on national budgets in Western Europe.

Prices of Agricultural Products and Fertilisers 1952/53. E.C.E./F.A.O. Agriculture Division, Geneva, July 1953 (available from Sales Section, European Office of the United Nations, Geneva, 3/-).

International Trade 1952. G.A.T.T., Geneva, June 1953 (available from H.M. Stationery Office).

Fourth Annual Report on Exchange Restrictions. International Monetary Fund, Washington, D.C., 1953.

Annual Report 1953. International Monetary Fund, Washington, D.C., 1953.

FOR REFERENCE

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Canada: *Electric Power in Canada, Business Review, Bank of Montreal, August 21, 1953.* (387)

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India: *Report on Currency and Finance, 1952/3, Reserve Bank of India, Bombay*. An exhaustive survey, on which much light is shed by Supplement to The Reserve Bank of India Bulletin, June 1953, which sets out to be a guide to this and other largely statistical compilations. (389 and 390)

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